

A-Engrossed
Senate Bill 938

Ordered by the Senate June 17
Including Senate Amendments dated June 17

Sponsored by COMMITTEE ON FINANCE AND REVENUE

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure.

Authorizes **city or county** to adopt exemption for newly constructed or installed industrial improvements. Requires **city or county** to specify [*minimum*] **range between \$2 million and \$25 million** for real market value of eligible improvements, period [*of*] **between three and five years** during which exemption is allowed and declining percentage of exemption to be allowed during specified period. **Provides that exemption applies to tax levy of city or county adopting exemption or to tax levy of all taxing districts in which improvements are located if rates of taxation of taxing districts that agree to grant exemption equal 51 percent or more of total combined rate of taxation on property granted exemption.** Requires [*county to grant exemption on same terms*] **exemption to be granted** to all eligible industrial improvements **on same terms in effect on date application is submitted.** Allows **city or county** to amend or terminate exemption but provides that industrial improvements granted exemption continue to receive exemption pursuant to terms in effect at time exemption was first granted. **Prohibits stacking of exemptions or special assessments other than exemption for commercial facilities under construction. Provides property granted exemption may be owned or leased by applicant and must be used for purpose and at location identified in application through final year of exemption. Provides limited retroactive application, without tax exemption for those years, for improvements for which first assessment date after improvements were first placed in service was January 1, 2014, or January 1, 2015.**

Sunsets exemption on January 2, 2026. Provides that improvements granted exemption before sunset date continue to receive exemption in effect at time granted.

Establishes legislative Task Force on the Taxation of the Property of Nonprofit Corporations. Authorizes task force to presession file legislation. Requires task force to submit report on or before December 1, 2015, to interim committees of Legislative Assembly related to revenue and as soon as practicable after February 1, 2016, to Senate Committee on Finance and Revenue and House Committee on Revenue.

Sunsets task force on December 31, 2016.

Exempts from property taxes real and personal property owned or leased by history museum or science museum if property is used to fulfill mission of museum and is used or occupied for certain purposes. Provides exemption does not apply to property used or occupied as hotel, water park or chapel or for any commercial enterprise.

Sunsets exemption on July 1, 2019.

Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

1
2 Relating to exemption from property taxation; creating new provisions; amending ORS 307.130; and
3 prescribing an effective date.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1. (1)(a) The governing body of a city or county may adopt an ordinance or**
6 **resolution granting a property tax exemption for newly constructed or installed improve-**
7 **ments located within the boundaries of the city or county, respectively, that are classified**
8 **as industrial under rules established by the Department of Revenue pursuant to ORS 308.215**
9 **(1)(a)(C).**

10 **(b) The terms of the exemption must conform to the provisions of this section. In addi-**

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

1 tion, the ordinance or resolution adopted under this subsection may include requirements for
2 the exemption related to economic development that do not conflict with the provisions of
3 this section.

4 (2) The exemption may be granted only for newly constructed or installed industrial im-
5 provements that have, as of the first assessment date after the improvements are first
6 placed in service, a real market value within a range specified by the city or county in the
7 ordinance or resolution. The range must be between \$2 million and \$25 million, inclusive.

8 (3)(a) The exemption shall be granted:

9 (A) Beginning with the first property tax year that begins after the ordinance or resolu-
10 tion is adopted;

11 (B) Only for newly constructed or installed industrial improvements that are first placed
12 in service after the ordinance or resolution is adopted; and

13 (C) At a progressively decreasing percentage of assessed value over a period of three to
14 five years.

15 (b) Except as provided in paragraph (c) of this subsection, the exemption shall be granted
16 according to the following schedule:

17 (A) 100 percent exemption for the first property tax year described in paragraph (a)(A)
18 of this subsection;

19 (B) 80 percent exemption for the second property tax year;

20 (C) 60 percent exemption for the third property tax year;

21 (D) 40 percent exemption for the fourth property tax year;

22 (E) 20 percent exemption for the fifth property tax year; and

23 (F) 0 percent exemption for the sixth and all subsequent property tax years.

24 (c) The city or county may specify in the ordinance or resolution the number of years
25 for which the exemption shall be granted and the percentage of exemption granted in each
26 year of the exemption. The exemption percentage may be reduced to zero percent for the
27 fourth and all subsequent property tax years.

28 (4) The exemption granted under an ordinance or resolution adopted pursuant to this
29 section shall apply:

30 (a) To the tax levy of the city or county that adopted the ordinance or resolution; or

31 (b) To the tax levy of all taxing districts in which property granted exemption is located
32 if, upon request of the city or county that adopted the ordinance or resolution, the rates of
33 taxation of the taxing districts whose governing bodies agree to grant the exemption, when
34 combined with the rate of taxation of the city or county, equal 51 percent or more of the
35 total combined rate of taxation on the property granted exemption.

36 (5) All eligible newly constructed or installed industrial improvements for which an ap-
37 plication has been approved under subsection (7) of this section shall be granted exemption
38 under this section on the same terms provided in the ordinance or resolution as adopted or
39 amended by the city or county and in effect on the date the application is submitted pursuant
40 to subsection (6) of this section.

41 (6)(a) The city or county granting the exemption shall prescribe:

42 (A) Application forms;

43 (B) The information required to be included in the application;

44 (C) The respective responsibilities of the city or county, as applicable, and the county
45 assessor for making determinations with respect to the information; and

1 (D) The deadline and fee, if any, for late filing.

2 (b) Applications must be submitted for review to the county assessor on or before March
3 1 preceding the property tax year to which the application relates.

4 (7)(a) The county assessor shall reject an application submitted pursuant to subsection
5 (6) of this section if the application does not meet the requirements of the ordinance or re-
6 solution adopted by the city or county.

7 (b) If the application meets the requirements of the ordinance or resolution, the county
8 assessor shall submit the application to the governing body of the city or county for ap-
9 proval.

10 (8)(a) Property granted an exemption pursuant to this section is not eligible for any other
11 property tax exemption or special assessment.

12 (b) Property that has received another property tax exemption or special assessment is
13 not eligible for exemption pursuant to this section.

14 (c) Paragraphs (a) and (b) of this subsection do not apply to the exemption granted under
15 ORS 307.330.

16 (9)(a) Property granted an exemption pursuant to this section:

17 (A) May be owned or leased by the applicant.

18 (B) Must be used for the purpose, and at the location, identified in the application
19 through the final year of the exemption.

20 (b) If the county assessor discovers that the property is not used for the purpose, or at
21 the location, identified in the application in any year through the final year of the exemption,
22 the property shall be immediately disqualified for the exemption and shall be assessed and
23 taxed in the same manner as other property is assessed and taxed.

24 (10)(a) A city or county may adopt at any time an ordinance or resolution amending the
25 terms of the exemption granted under this section or terminating the exemption within the
26 city or county.

27 (b) Notwithstanding an ordinance or resolution adopted under paragraph (a) of this sub-
28 section, newly constructed or installed industrial improvements that have been granted an
29 exemption pursuant to this section shall continue to receive the exemption under the terms
30 in effect at the time the exemption was first granted.

31 **SECTION 2.** (1) Notwithstanding section 1 (3)(a) of this 2015 Act, section 1 of this 2015
32 Act may apply to newly constructed or installed industrial improvements for which the first
33 assessment date after the improvements were first placed in service was January 1, 2014, or
34 January 1, 2015.

35 (2)(a) If the exemption is made applicable to property described in subsection (1) of this
36 section, the exemption shall be granted according to the exemption schedule in effect under
37 section 1 (3)(b) or (c) of this 2015 Act, counting the tax year that began on July 1, 2014, or
38 July 1, 2015, as applicable, as the first year for purposes of the exemption schedule.

39 (b) Notwithstanding paragraph (a) of this subsection, an exemption may not be granted
40 retroactively for any exemption schedule year that ended before July 1 of the first property
41 tax year that begins after the ordinance or resolution granting the exemption is adopted
42 pursuant to section 1 of this 2015 Act and a refund may not be issued for such exemption
43 schedule years.

44 **SECTION 3.** (1) Section 1 of this 2015 Act is repealed on January 2, 2026.

45 (2) Notwithstanding the date specified in subsection (1) of this section, newly constructed

1 or installed industrial improvements that are granted an exemption under an ordinance or
2 resolution adopted pursuant to section 1 of this 2015 Act shall continue to receive the ex-
3 emption under the provisions of the ordinance or resolution.

4 **SECTION 4. (1) The Task Force on the Taxation of the Property of Nonprofit Corpora-**
5 **tions is established, consisting of members appointed as follows:**

6 (a) The President of the Senate shall appoint one member from among members of the
7 Senate Committee on Finance and Revenue.

8 (b) The Speaker of the House of Representatives shall appoint one member from among
9 members of the House Committee on Revenue.

10 (c) The President of the Senate and the Speaker of the House of Representatives, in
11 consultation, may appoint additional members from among members of the Senate and the
12 House of Representatives.

13 (2) The task force shall study issues related to the taxation and exemption from taxation
14 of property owned, leased or used by nonprofit corporations, including, but not limited to:

15 (a) The background and description of the current exemption environment in Oregon;

16 (b) Practices in other states and jurisdictions;

17 (c) Clear definitions of the criteria for qualification for property tax exemptions;

18 (d) Uniform statewide administration of exemptions; and

19 (e) The purpose or expected public benefits of granting exemptions.

20 (3) The task force may consult with the Oregon State Association of County Assessors,
21 the Association of Oregon Counties and the League of Oregon Cities for purposes of sub-
22 section (2) of this section.

23 (4) A majority of the members of the task force constitutes a quorum for the transaction
24 of business.

25 (5) Official action by the task force requires the approval of a majority of the members
26 of the task force.

27 (6) The task force shall elect one of its members to serve as chairperson.

28 (7) If there is a vacancy for any cause, the appointing authority shall make an appoint-
29 ment to become immediately effective.

30 (8) The task force shall meet at times and places specified by the call of the chairperson
31 or of a majority of the members of the task force.

32 (9) The task force may adopt rules necessary for the operation of the task force.

33 (10) The task force may pre-session file legislation in the manner provided in ORS 171.130
34 for interim committees. All legislation recommended by official action of the task force must
35 indicate that it is introduced at the request of the task force.

36 (11) The task force shall submit a report in the manner provided in ORS 192.245:

37 (a) On or before December 1, 2015, to the interim committees of the Legislative Assembly
38 related to revenue; and

39 (b) As soon as practicable after February 1, 2016, to the Senate Committee on Finance
40 and Revenue and the House Committee on Revenue.

41 (12) The Legislative Revenue Officer shall provide staff support to the task force.

42 (13) All agencies of state government, as defined in ORS 174.111, are directed to assist
43 the task force in the performance of the task force's duties and, to the extent permitted by
44 laws relating to confidentiality, to furnish such information and advice to the task force or
45 the Legislative Revenue Officer as the members of the task force consider necessary to

1 **perform their duties.**

2 **SECTION 5. Section 4 of this 2015 Act is repealed on December 31, 2016.**

3 **SECTION 6.** ORS 307.130, as amended by section 16, chapter 52, Oregon Laws 2014, is amended
4 to read:

5 307.130. (1) As used in this section:

6 (a) "Art museum" means a nonprofit corporation organized to display works of art to the public.

7 **(b) "History museum or science museum" means a nonprofit corporation organized to**
8 **display historical or scientific exhibits, or both, to the public.**

9 [(b)] (c) "Nonprofit corporation" means a corporation that:

10 (A) Is organized not for profit, pursuant to ORS chapter 65 or any predecessor of ORS chapter
11 65; or

12 (B) Is organized and operated as described under section 501(c) of the Internal Revenue Code
13 as defined in section 15, chapter 52, Oregon Laws 2014.

14 [(c)] (d) "Volunteer fire department" means a nonprofit corporation organized to provide fire
15 protection services in a specific response area.

16 (2) Upon compliance with ORS 307.162, the following property owned or being purchased by art
17 museums, volunteer fire departments, or incorporated literary, benevolent, charitable and scientific
18 institutions shall be exempt from taxation:

19 (a) Except as provided in ORS 748.414, only such real or personal property, or proportion
20 thereof, as is actually and exclusively occupied or used in the literary, benevolent, charitable or
21 scientific work carried on by such institutions.

22 (b) Parking lots used for parking or any other use as long as that parking or other use is per-
23 mitted without charge for no fewer than 355 days during the tax year.

24 (c) All real or personal property of a rehabilitation facility or any retail outlet thereof, including
25 inventory. As used in this subsection, "rehabilitation facility" means either those facilities defined
26 in ORS 344.710 or facilities which provide individuals who have physical, mental or emotional disa-
27 bilities with occupational rehabilitation activities of an educational or therapeutic nature, even if
28 remuneration is received by the individual.

29 (d) All real and personal property of a retail store dealing exclusively in donated inventory,
30 where the inventory is distributed without cost as part of a welfare program or where the proceeds
31 of the sale of any inventory sold to the general public are used to support a welfare program. As
32 used in this subsection, "welfare program" means the providing of food, shelter, clothing or health
33 care, including dental service, to needy persons without charge.

34 (e) All real and personal property of a retail store if:

35 (A) The retail store deals primarily and on a regular basis in donated and consigned inventory;

36 (B) The individuals who operate the retail store are all individuals who work as volunteers; and

37 (C) The inventory is either distributed without charge as part of a welfare program, or sold to
38 the general public and the sales proceeds used exclusively to support a welfare program. As used
39 in this paragraph, "primarily" means at least one-half of the inventory.

40 (f) The real and personal property of an art museum that is used in conjunction with the public
41 display of works of art or used to educate the public about art, but not including any portion of the
42 art museum's real or personal property that is used to sell, or hold out for sale, works of art, re-
43 productions of works of art or other items to be sold to the public.

44 (g) All real and personal property of a volunteer fire department that is used in conjunction with
45 services and activities for providing fire protection to all residents within a fire response area.

1 (h) All real and personal property, including inventory, of a retail store owned by a nonprofit
2 corporation if:

3 (A) The retail store deals exclusively in donated inventory; and

4 (B) Proceeds of the retail store sales are used to support a not-for-profit housing program whose
5 purpose is to:

6 (i) Acquire property and construct housing for resale to individuals at or below the cost of ac-
7 quisition and construction; and

8 (ii) Provide loans bearing no interest to individuals purchasing housing through the program.

9 **(3)(a) Upon compliance with ORS 307.162, real and personal property owned or leased by
10 a history museum or science museum shall be exempt from property taxes if the property:**

11 **(A) Is used to fulfill the mission of the museum as provided in the articles of incorpo-
12 ration and bylaws of the museum; and**

13 **(B) Is used or occupied for one or more of the following purposes:**

14 **(i) As a food service facility or concession stand selling food and refreshments to mu-
15 seum visitors, volunteers or staff within the museum buildings or on museum grounds.**

16 **(ii) As a retail store selling inventory, at least 90 percent of which is museum-related,
17 within the museum buildings or on museum grounds.**

18 **(iii) As a parking lot, the use of which is permitted without charge for not fewer than
19 355 days during the property tax year, for museum visitors, volunteers or staff employed by
20 the museum.**

21 **(iv) As a theater located in a museum building showing entertainment or educational
22 features, at least 75 percent of which are museum-related.**

23 **(v) As unimproved land that is not specially assessed and that is contiguous with the land
24 on which the museum is situated.**

25 **(vi) For displays, storage areas, educational classrooms or meeting areas.**

26 **(b) The exemption granted under this subsection does not apply to property used or oc-
27 cupied as a hotel, water park or chapel or for any commercial enterprise.**

28 **[(3)] (4) An art museum or institution shall not be deprived of an exemption under this section
29 solely because its primary source of funding is from one or more governmental entities.**

30 **[(4)] (5) An institution shall not be deprived of an exemption under this section because its
31 purpose or the use of its property is not limited to relieving pain, alleviating disease or removing
32 constraints.**

33 **SECTION 7. The amendments to ORS 307.130 by section 6 of this 2015 Act apply to
34 property tax years beginning on or after July 1, 2015.**

35 **SECTION 8. ORS 307.130, as amended by section 16, chapter 52, Oregon Laws 2014, and section
36 6 of this 2015 Act, is amended to read:**

37 307.130. (1) As used in this section:

38 (a) "Art museum" means a nonprofit corporation organized to display works of art to the public.

39 *[(b) "History museum or science museum" means a nonprofit corporation organized to display
40 historical or scientific exhibits, or both, to the public.]*

41 *[(c)]* (b) "Nonprofit corporation" means a corporation that:

42 (A) Is organized not for profit, pursuant to ORS chapter 65 or any predecessor of ORS chapter
43 65; or

44 (B) Is organized and operated as described under section 501(c) of the Internal Revenue Code
45 as defined in section 15, chapter 52, Oregon Laws 2014.

1 *[(d)]* (c) “Volunteer fire department” means a nonprofit corporation organized to provide fire
2 protection services in a specific response area.

3 (2) Upon compliance with ORS 307.162, the following property owned or being purchased by art
4 museums, volunteer fire departments, or incorporated literary, benevolent, charitable and scientific
5 institutions shall be exempt from taxation:

6 (a) Except as provided in ORS 748.414, only such real or personal property, or proportion
7 thereof, as is actually and exclusively occupied or used in the literary, benevolent, charitable or
8 scientific work carried on by such institutions.

9 (b) Parking lots used for parking or any other use as long as that parking or other use is per-
10 mitted without charge for no fewer than 355 days during the tax year.

11 (c) All real or personal property of a rehabilitation facility or any retail outlet thereof, including
12 inventory. As used in this subsection, “rehabilitation facility” means either those facilities defined
13 in ORS 344.710 or facilities which provide individuals who have physical, mental or emotional disa-
14 bilities with occupational rehabilitation activities of an educational or therapeutic nature, even if
15 remuneration is received by the individual.

16 (d) All real and personal property of a retail store dealing exclusively in donated inventory,
17 where the inventory is distributed without cost as part of a welfare program or where the proceeds
18 of the sale of any inventory sold to the general public are used to support a welfare program. As
19 used in this subsection, “welfare program” means the providing of food, shelter, clothing or health
20 care, including dental service, to needy persons without charge.

21 (e) All real and personal property of a retail store if:

22 (A) The retail store deals primarily and on a regular basis in donated and consigned inventory;

23 (B) The individuals who operate the retail store are all individuals who work as volunteers; and

24 (C) The inventory is either distributed without charge as part of a welfare program, or sold to
25 the general public and the sales proceeds used exclusively to support a welfare program. As used
26 in this paragraph, “primarily” means at least one-half of the inventory.

27 (f) The real and personal property of an art museum that is used in conjunction with the public
28 display of works of art or used to educate the public about art, but not including any portion of the
29 art museum’s real or personal property that is used to sell, or hold out for sale, works of art, re-
30 productions of works of art or other items to be sold to the public.

31 (g) All real and personal property of a volunteer fire department that is used in conjunction with
32 services and activities for providing fire protection to all residents within a fire response area.

33 (h) All real and personal property, including inventory, of a retail store owned by a nonprofit
34 corporation if:

35 (A) The retail store deals exclusively in donated inventory; and

36 (B) Proceeds of the retail store sales are used to support a not-for-profit housing program whose
37 purpose is to:

38 (i) Acquire property and construct housing for resale to individuals at or below the cost of ac-
39 quisition and construction; and

40 (ii) Provide loans bearing no interest to individuals purchasing housing through the program.

41 *[(3)(a) Upon compliance with ORS 307.162, real and personal property owned or leased by a his-
42 tory museum or science museum shall be exempt from property taxes if the property:]*

43 *[(A) Is used to fulfill the mission of the museum as provided in the articles of incorporation and
44 bylaws of the museum; and]*

45 *[(B) Is used or occupied for one or more of the following purposes:]*

1 *[(i) As a food service facility or concession stand selling food and refreshments to museum visitors,*
2 *volunteers or staff within the museum buildings or on museum grounds.]*

3 *[(ii) As a retail store selling inventory, at least 90 percent of which is museum-related, within the*
4 *museum buildings or on museum grounds.]*

5 *[(iii) As a parking lot, the use of which is permitted without charge for not fewer than 355 days*
6 *during the property tax year, for museum visitors, volunteers or staff employed by the museum.]*

7 *[(iv) As a theater located in a museum building showing entertainment or educational features, at*
8 *least 75 percent of which are museum-related.]*

9 *[(v) As unimproved land that is not specially assessed and that is contiguous with the land on*
10 *which the museum is situated.]*

11 *[(vi) For displays, storage areas, educational classrooms or meeting areas.]*

12 *[(b) The exemption granted under this subsection does not apply to property used or occupied as*
13 *a hotel, water park or chapel or for any commercial enterprise.]*

14 [(4)] (3) An art museum or institution shall not be deprived of an exemption under this section
15 solely because its primary source of funding is from one or more governmental entities.

16 [(5)] (4) An institution shall not be deprived of an exemption under this section because its
17 purpose or the use of its property is not limited to relieving pain, alleviating disease or removing
18 constraints.

19 **SECTION 9. The amendments to ORS 307.130 by section 8 of this 2015 Act apply to**
20 **property tax years beginning on or after July 1, 2019.**

21 **SECTION 10. This 2015 Act takes effect on the 91st day after the date on which the 2015**
22 **regular session of the Seventy-eighth Legislative Assembly adjourns sine die.**

23