

**PRELIMINARY STAFF MEASURE SUMMARY****Senate Committee On Finance and Revenue****Fiscal:** May have fiscal impact, but no statement yet issued**Revenue:** May have revenue impact, but no statement yet issued**Action Date:****Action:****Meeting Dates:** 02/03**Prepared By:** Kyle Easton, Economist**WHAT THE MEASURE DOES:**

Allows county or city, by ordinance or resolution, to provide property tax exemption or deferral for newly constructed or installed industrial improvements with cost of initial investment of at least \$1 million. Requires qualified property to be owned or leased by applicant, used through the final year of the exemption for the purpose and at the location identified in the application. Property is eligible only if qualified property was first placed in service after the ordinance or resolution is adopted and if first assessment year corresponds to assessment year to which the application is filed. Prescribes exemption schedule for the five years exemption is available. Allows county or city to, within certain parameters, specify in ordinance or resolution minimum cost of initial investment, number of years exemption is available and exemption schedule. Provides cap on exemption equal to specified percentage of real market value of qualified property. Requires 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 ordinance or resolution but requires property granted exemption to continue to receive exemption under existing terms at time exemption was first granted. With exception of the facilities under construction exemption, prohibits property from receiving exemption prior to or after receiving industrial improvement exemption. Allows city or county to grant deferral of property taxes instead of exemption within same parameters of exemption. Requires city or county to prescribe application forms and process applications. Provides provisions for levying and collecting back taxes if qualification criteria is not met by property owner for duration of exemption period. Authority of county or city to provide exemption and deferral sunsets on January 2, 2027. Takes effect on the 91st day following adjournment sine die.

**ISSUES DISCUSSED:**

- Ongoing bill built upon SB 938 (2015)
- Exemption being a one size fits all approach versus a flexible tailored approach
- Exemption provisions that may work in one jurisdiction may differ from other areas
- Option of providing direct development grants rather than using tax expenditure approach generally
- Option of providing a 100% exemption in years 1, 3 & 5
- Ability of local governments to pick winners and losers
- Measure provides local control and as such does not immediately create any exemptions or deferrals.

**EFFECT OF COMMITTEE AMENDMENT:**

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Requires property tax exemption to be granted equal to 100 percent of qualified property's real market value for any three out of five consecutive property tax years. Allows city or county to specify in ordinance or resolution any number of years not greater than five for which the exemption shall be granted and the percentage of the real market value of the qualified property granted exemption for each year. Requires governing bodies, representing 75 percent or more of total combined rate of taxation on qualified property, to agree to ordinance or resolution in order for ordinance or resolution to take effect. To deviate from 100 percent RMV exemption for three years or to provide

deferral, requires county or city adopting ordinance or resolution to receive public testimony from county assessor regarding the cost and administrability of the proposed terms of exemption. Requires application fee in amount equal to actual costs to county or city processing the application. Allows assessor to impose fee equal to actual costs of administering exemption or deferral of qualified property.

**BACKGROUND:**

In FY 2013-14, there were roughly 2,500 state appraised industrial property accounts located at nearly 900 sites. On average, about 100-150 industrial property owners add state appraised industrial property in amounts greater than \$1 million in value.