

**REVENUE IMPACT OF
PROPOSED LEGISLATION
78th Oregon Legislative Assembly
2016 Regular Session
Legislative Revenue Office**

**Bill Number: SB 1565 - 5
Revenue Area: Property Tax
Economist: Kyle Easton
Date: 2/10/2016**

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

Measure Description:

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 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. Allows city or county to grant deferral of property taxes instead of exemption within same parameters of exemption. 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.

Revenue Impact: Property tax exemption and/or deferral is permissive to local governments, and as such, no direct revenue impact exists.

Impact Explanation:

For contextual purpose, an examination of industrial property value and potential revenue impact is provided using the standard exemption amount and qualifications contained in measure (full exemption, minimum \$1 million and \$25 million limit). Statewide, examining the existing and three previous property tax years, the total value of potentially qualifying state appraised industrial improvement property has ranged from 300 to 450 million. Using the same time period, the average property value of a potentially qualifying project was about \$4.1M. This computes to an average revenue loss of \$35K to general government districts and \$23K to education districts.

Depending upon if and how exemption provisions are adopted and approved by local governments, it is possible that existing law property tax exemptions, such as enterprise zones, will have reduced revenue impacts in future years as property qualifies for new exemption made available in amended measure instead of existing exemptions.

Creates, Extends, or Expands Tax Expenditure: Yes No

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 qualified industrial improvements, thereby encouraging business investment in such property and contributing to overall economic development.