

STAFF MEASURE SUMMARY

CARRIER: Rep. Evans

House Committee On Revenue

Fiscal: Fiscal impact issued**Revenue:** Revenue impact issued**Action Date:** 02/26/16**Action:** Do Pass With Amendments. (Printed B-Eng.)**Meeting Dates:** 02/25, 02/26**Vote:**

Yeas: 8 - Barnhart, Bentz, Davis, Helm, Johnson, Lininger, Nosse, Whitsett

Nays: 1 - Smith Warner

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. Provides exemption only to property with cost of initial investment of \$25 million or less. Requires applicant to specify eligible property in cases where cost of initial investment of eligible property exceeds \$25 million. Requires qualified property to be located in rural area, owned or leased by applicant, used through the final year of the exemption for the purpose and at the location identified in the application. Defines rural area. 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. 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. To deviate from standard model three year 100 percent RMV exemption 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 applicant to increase employment, by specified minimum amount, at location applying to receive exemption. Prohibits applicant from closing or permanently curtailing operations at other locations. Requires applicant to enter into a first source hiring agreement. Allows county or city to establish other reasonable conditions related to economic development at time of application. 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. Requires city or county to prescribe application forms and process applications. Requires city or county to submit specified information to Department of Revenue for submittal to Department of Administrative Services for posting on Oregon transparency website. 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. 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, 2024. Takes effect on the 91st day following adjournment sine die.

ISSUES DISCUSSED:

- Nexus of the original legislation and how it compares to amended language
- Requirement in -A14 for qualifying improvements to be placed on existing industrial property and potential limiting effect upon property that could qualify
- Assessor comments to Senate Committee and committee's choice not to incorporate all of assessor recommendations
- Potential of taxes not being paid after period of deferral has ended if property quickly depreciates and value of property is less than deferred tax owed
- Possibly removing schools from the exemption, greater discussion in general of how school taxes could/should interact with property tax exemptions.

EFFECT OF COMMITTEE AMENDMENT:

Requires applicant to increase employment at location applying to receive exemption by greater of 110% of annual average employment or annual average employment plus one employee. Prohibits applicant from closing or permanently curtailing operations at other locations. Requires applicant for exemption to enter into first-source hiring agreement. Allows county or city to establish other reasonable conditions related to economic development at time of application. Changes sunset from 2027 to 2024. Requires posting of specified information to Oregon transparency website. Requires eligible property to be located in a rural area. Defines rural area as an area located entirely outside of the urban growth boundary of a city with a population of 40,000 or more.

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.