

# Property Taxes and Central Assessment



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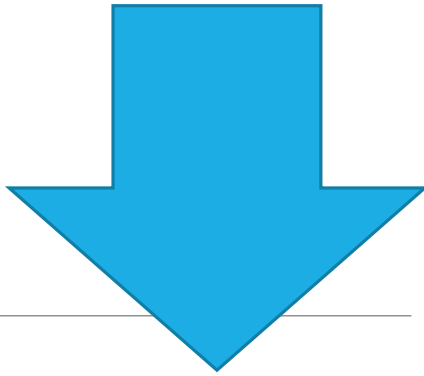
Taxable **value** of property **x** Tax **rates** (from taxing districts) = **Taxes**

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**Taxing districts include:**

- Schools
- Counties
- Cities
- Special Districts

# What's taxed?



## REAL PROPERTY

➤ Residential and Business  
(Land, Buildings & Structures)



## REAL PROPERTY

➤ Business  
(Machinery & Equipment: affixed)



## PERSONAL PROPERTY

➤ Business  
(Desks, Chairs, & Hand tools)



## INTANGIBLE PROPERTY

➤ Centrally Assessed  
Businesses\* (Contracts, Goodwill,  
Patents, etc.)

\*Including communications, railroad, utility, etc.  
businesses



# Timeline of Centrally Assessed Property

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- **1909** Oregon adopts unit taxing system (predecessor to central assessment statutes)
- **1951** Legislature restructured law into present ORS 308.515 et seq structure
- **1973** Legislature added “data transmission services by whatever means provided” to central assessment coverage
- **2009-2010** tax year: Comcast is first centrally assessed by DOR

# Timeline of Centrally Assessed Property

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- Comcast contests Department of Revenue's assessment, challenging applicability of central assessment
  - Oregon Tax Court: Tax Court rules Comcast's internet service is covered by central assessment but not its cable services; primary use of properties is for cable services and thus no central assessment application (Aug. 10, **2011**)
  - DOR appeals
  - Comcast v. DOR, Oregon Supreme Court reverses Tax Court and rules that Comcast's internet AND cable service is subject to central assessment; company is a communications company (Oct. 2, **2014**)
  - Oregon Supreme Court remanded case to Oregon Tax Court to decide remaining claims (case is pending in Tax Court)

# Timeline of Centrally Assessed Property

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- SB 611, Governor signed April 2, 2015 (effective Oct. 5, **2015**)
- Rulemaking at PUC (2015-2016)
- **July 2016**: DOR determines that no communication company will receive gigabit exemption for 2016-17
- Comcast contests DOR's determination and assessment (case is pending in Oregon Tax Court)

# Centrally Assessed Communication Company Property Exemptions

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- FCC Licenses Value (2001)
- Franchise Agreements Value\* (2015)
- Satellite Values & FCC Licenses Value related to the use of the satellites\* (2015)

**Note:** Businesses only get one exemption, whichever one is largest.

\* New exemption from SB 611

# Centrally Assessed Property Exemptions

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- Cap on intangibles:\* (2015)

- 130% of historic costs of tangible property

- No longer subject to taxation of intangibles:

- Data Centers (clarifications)\*(2015)

 Businesses that receive gigabit exemption\* (2015)

\* New provisions in SB 611



# Gigabit Exemption Justification

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- New technology that would provide gigabit service was not in state; cost to provide gigabit service with fiber optic technology was high
- Value of intangible property of company with the technology was very large compared to real and personal property
- Desire for gigabit service throughout state – that would provide economic development infrastructure
- Without gigabit exemption, new technology would not come to state (“but for”)
  - Anticipated gigabit fiber optic service to be provided in exchange for the exemption was supposed to be of value to outweigh revenue losses to local governments and schools

# Gigabit Exemption Has NOT Worked

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- Technology and costs have changed since bill's passage– Google has not come and is changing technology
- Intent of legislature was to incentivize gigabit service that would not have been done but for the exemption– instead companies trying to use the exemption in unintended ways
- Exemption can be used by companies in Oregon that upgrade to gig service speed but infrastructure costs are significantly less than anticipated
  - Incentive is unnecessary and revenue loss is unjustified
- Gigabit exemption upsets the balance of the other components in SB 611; goal was competitive parity with the different communications business/service types

# 2017 Legislation

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➤ **HB 2063:** Amends gigabit exemption qualifying criteria

➤ **HB 2770:** Repeals gigabit exemption