

Property Taxes and Central Assessment



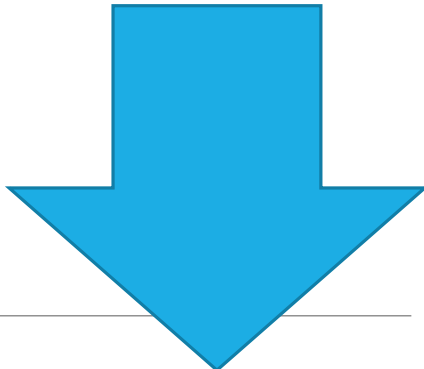
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Taxable **value** of property **x** Tax **rates** (from taxing districts) = **Taxes**

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

- **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

➤ 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

- 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

- 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

- 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

- 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

- 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

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

➤ **HB 2770:** Repeals gigabit exemption