

**REVENUE IMPACT OF
PROPOSED LEGISLATION
79th Oregon Legislative Assembly
2017 Regular Session
Legislative Revenue Office**

**Bill Number: SB 468 - 1
Revenue Area: Property Taxes
Economist: Kyle Easton
Date: 2/24/2017**

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

Measure Description:

Makes changes to statutes governing local government permissive property tax exemption made available to qualified industrial property. Expands definition of eligible property to include property constructed or installed at a brownfield and allows computation of the cost of initial investment to include the remaining costs of the brownfield cleanup. Expands areas where permissive exemption may be made available by changing definition of rural area to an area in unincorporated territory or in a city with a population less than 40,000 that is located entirely outside of the urban growth boundaries of any and all cities with populations of 40,000 or more.

Revenue Impact (in \$Millions):

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

Impact Explanation:

Primarily, measure contains two changes that would expand potential use/qualification for permissive property tax exemption.

- 1) Allowing remaining costs associated with brownfield cleanup to contribute to meeting minimum \$1 million cost of initial investment effectively reduces potential qualification requirements and may result in expanded qualification for property tax exemption. Exemption remains limited to classified industrial improvements and associated personal property that are newly constructed or installed at an eligible location, change is to qualification requirements.
- 2) Changes to definition of "rural area" to include "an area located in unincorporated territory" has the effect of expanding areas where exemption may be made available to include areas within urban growth boundaries of cities with populations greater than or equal to 40,000 that are also outside of city limits.

As an example of potential revenue loss, a qualifying project valued at \$4.1 million in real market value, receiving a full exemption, would translate into an average revenue loss of \$35K to general government districts and \$23K to education districts. As measure provides permissive authority to county and cities to provide exemption from property taxes, any impact upon revenue will depend upon adoption of exemption at local government level.

Creates, Extends, or Expands Tax Expenditure: Yes No

SB 468-1 would make a series of clarifications to the existing underlying permissive exemption as well as expansions of exemption, discussed in impact explanation section above. Underlying policy purpose of exemption remains the same as originally described in enrolled SB 1565 (2016).

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 in rural areas, thereby encouraging business investment in such property and contributing to overall economic development.