



POLK COUNTY

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ASSESSOR'S OFFICE
DOUGLAS SCHMIDT
Assessor

March 15, 2017

House Committee on Economic Development and Trade
HB 2470

Chair Lininger, members of the committee, my name is Douglas Schmidt and I am the Polk County Assessor. My testimony today is on behalf of the Oregon State Association of County Assessors (OSACA). At this time, OSACA is Neutral on Sections 1 through 8 dealing with Urban Renewal Districts but OSACA Opposes Sections 9 through 34 that allows taxing districts to tax certain exempt property.

Assessors are concerned over the complexity and difficulty of administration that will be required if Sections 9 through 34 of HB 2470 are enacted. To accommodate the provisions of this bill, Assessors will need to create new Tax Code Areas for various taxing districts with varying assessed values.

There are 2 different types of exemptions in Sections 9 through 34. The first are those in Sections 18 through 27 that create an exemption only for the taxing district whose governing body authorizes the exemption unless other taxing districts approve the exemption and their tax rates total 51%, then all the taxes are exempt for all districts.

The second type of exemptions are those in Sections 9 through 15 dealing with Enterprise Zones (EZ) and Sections 16 through 17 dealing with Strategic Investment Plan Zones (SIP).

For an example of the bills impact, let's look only at Sections 9 through 15 which deal with Enterprise Zone (EZ) properties. Currently an exemption in an EZ applies to all taxing districts within the zone. EZ's do not exempt the land or existing improvements from property taxation, only the value of new construction and/or equipment for 3 to 5 years. To qualify, the cost of the improvements and/or equipment must be at least \$50,000.

A business in a city is approved for exemption by the zone sponsor. The first year, the cost of the exempt improvements totals \$250,000 and is exempt for 3 years. It is assumed the city will not want to collect property tax on the \$250,000, and maybe a couple of small districts also decide to not collect any taxes on the \$250,000 so they choose to "allow the exemption". If all the taxing districts do not elect to "allow the exemption", the Assessor will need to do something like the following to accommodate HB 2470:

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Leave all the taxing districts in the existing tax code area and show the new improvements as exempt from taxation. In addition, create a new tax code area for the taxing districts that did not elect to “allow the exemption” with only the new improvement value (\$250,000) as the assessed value. Under this scenario, all the taxing districts stay in the existing tax code area and would collect taxes on the land and existing improvements while only the taxing districts that did not elect to “allow the exemption” would also be in the new tax code area and collect taxes on the \$250,000 value of the new improvements.

Also, the Assessor would need to generate an additional tax statement to the business to collect taxes on the \$250,000.

We have the tax code areas in place for the first year and we are good. But...in year two of the 3 year enterprise zone approval, the business has done a major expansion in the amount of \$100,000,000 of value in addition to the \$250,000 the first year. Because this is new value and the exemption will run for a total of 3 years, it is a new exemption this year and the 2 small districts that “allowed the exemption” the prior year want in on the taxes from the new value. The assessor would need to create another new tax code area, in addition to the tax code area created the prior year, that now includes only the 2 small districts, and it goes on and on. (Refer to the attached spreadsheet)

With that, the Assessors Association asks that you do not enact Sections 9 through 34 of HB 2470. Thank you.

If you have any questions, I will try and answer them.

HB 2470 Scenarios

| Current Scenario | | | | | | |
|---|----------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|--------------------------------|
| Tax Code Area | Assessed Value | Enterprise Zone New Value Year 1 | Districts Total Assessed Value | | | |
| Alpha | | | | | | |
| District 1 - City | \$ 100,000,000 | \$ 250,000 | \$ 100,000,000 | | | |
| District 2 | \$ 100,000,000 | \$ 250,000 | \$ 100,000,000 | | | |
| District 3 | \$ 100,000,000 | \$ 250,000 | \$ 100,000,000 | | | |
| District 4 | \$ 100,000,000 | \$ 250,000 | \$ 100,000,000 | | | |
| District 5 | \$ 100,000,000 | \$ 250,000 | \$ 100,000,000 | | | |
| District 6 | \$ 100,000,000 | \$ 250,000 | \$ 100,000,000 | | | |
| District 7 | \$ 100,000,000 | \$ 250,000 | \$ 100,000,000 | | | |
| District 8 | \$ 100,000,000 | \$ 250,000 | \$ 100,000,000 | | | |
| | | | | | | |
| HB 2470 Scenario Year 1 | | | | | | |
| Tax Code Area | Assessed Value | Tax Code Area | Enterprise Zone New Value Year 1 | Districts Total Assessed Value | | |
| Alpha | | Bravo | | | | |
| District 1 - City | \$ 100,000,000 | | \$ 250,000 | \$ 100,000,000 | | |
| District 2 | \$ 100,000,000 | | \$ 250,000 | \$ 100,000,000 | | |
| District 3 | \$ 100,000,000 | | \$ 250,000 | \$ 100,000,000 | | |
| District 4 | \$ 100,000,000 | District 4 | \$ 250,000 | \$ 100,250,000 | | |
| District 5 | \$ 100,000,000 | District 5 | \$ 250,000 | \$ 100,250,000 | | |
| District 6 | \$ 100,000,000 | District 6 | \$ 250,000 | \$ 100,250,000 | | |
| District 7 | \$ 100,000,000 | District 7 | \$ 250,000 | \$ 100,250,000 | | |
| District 8 | \$ 100,000,000 | District 8 | \$ 250,000 | \$ 100,250,000 | | |
| | | Tax Code Bravo Assessed Value | \$ 250,000 | | | |
| | | | | | | |
| HB 2470 Scenario Year 2 | | | | | | |
| Tax Code Area | Assessed Value | Tax Code Area | Tax Code Area | Enterprise Zone New Value Year 1 | Enterprise Zone New Value Year 2 | Districts Total Assessed Value |
| Alpha | | Bravo | Charlie | | | |
| District 1 - City | \$ 100,000,000 | | | \$ 250,000 | \$ 100,000,000 | \$ 100,000,000 |
| District 2 | \$ 100,000,000 | | District 2 | \$ 250,000 | \$ 100,000,000 | \$ 200,000,000 |
| District 3 | \$ 100,000,000 | | District 3 | \$ 250,000 | \$ 100,000,000 | \$ 200,000,000 |
| District 4 | \$ 100,000,000 | District 4 | | \$ 250,000 | \$ 100,000,000 | \$ 200,250,000 |
| District 5 | \$ 100,000,000 | District 5 | | \$ 250,000 | \$ 100,000,000 | \$ 200,250,000 |
| District 6 | \$ 100,000,000 | District 6 | | \$ 250,000 | \$ 100,000,000 | \$ 200,250,000 |
| District 7 | \$ 100,000,000 | District 7 | | \$ 250,000 | \$ 100,000,000 | \$ 200,250,000 |
| District 8 | \$ 100,000,000 | District 8 | | \$ 250,000 | \$ 100,000,000 | \$ 200,250,000 |
| | | | | Tax Code Bravo Assessed Value | \$ 100,250,000 | |
| | | | | Tax Code Charlie Assessed Value | \$ 100,000,000 | |
| | | | | | | |
| HB 2470 Scenario Year 3 - NO CHANGE DUE TO EZ EXEMPTION | | | | | | |
| Tax Code Area | Assessed Value | Tax Code Area | Tax Code Area | Enterprise Zone New Value Year 1 | Enterprise Zone New Value Year 2 | Districts Total Assessed Value |
| Alpha | | Bravo | Charlie | | | |
| District 1 - City | \$ 100,000,000 | | | \$ 250,000 | \$ 100,000,000 | \$ 100,000,000 |
| District 2 | \$ 100,000,000 | | District 2 | \$ 250,000 | \$ 100,000,000 | \$ 200,000,000 |
| District 3 | \$ 100,000,000 | | District 3 | \$ 250,000 | \$ 100,000,000 | \$ 200,000,000 |
| District 4 | \$ 100,000,000 | District 4 | | \$ 250,000 | \$ 100,000,000 | \$ 200,250,000 |
| District 5 | \$ 100,000,000 | District 5 | | \$ 250,000 | \$ 100,000,000 | \$ 200,250,000 |
| District 6 | \$ 100,000,000 | District 6 | | \$ 250,000 | \$ 100,000,000 | \$ 200,250,000 |
| District 7 | \$ 100,000,000 | District 7 | | \$ 250,000 | \$ 100,000,000 | \$ 200,250,000 |
| District 8 | \$ 100,000,000 | District 8 | | \$ 250,000 | \$ 100,000,000 | \$ 200,250,000 |
| | | | | Tax Code Bravo Assessed Value | \$ 100,250,000 | |
| | | | | Tax Code Charlie Assessed Value | \$ 100,000,000 | |

HB 2470 Scenarios

| HB 2470 Scenario Year 4 | | | | | | | |
|--------------------------------|-----------------|----------------------|----------------------|---------------------------------|---------------------|-----------------------|--|
| Tax Code Area | Assessed | Tax Code Area | Tax Code Area | Enterprise | Enterprise | Districts | |
| Alpha | Value | Bravo | Charlie | Zone New | Zone New | Total Assessed | |
| | | | | Value Year 1 | Value Year 2 | Value | |
| District 1 - City | \$ 100,250,000 | | | \$ - | \$ 100,000,000 | \$ 100,250,000 | |
| District 2 | \$ 100,250,000 | | District 2 | \$ - | \$ 100,000,000 | \$ 200,250,000 | |
| District 3 | \$ 100,250,000 | | District 3 | \$ - | \$ 100,000,000 | \$ 200,250,000 | |
| District 4 | \$ 100,250,000 | District 4 | | \$ - | \$ 100,000,000 | \$ 200,250,000 | |
| District 5 | \$ 100,250,000 | District 5 | | \$ - | \$ 100,000,000 | \$ 200,250,000 | |
| District 6 | \$ 100,250,000 | District 6 | | \$ - | \$ 100,000,000 | \$ 200,250,000 | |
| District 7 | \$ 100,250,000 | District 7 | | \$ - | \$ 100,000,000 | \$ 200,250,000 | |
| District 8 | \$ 100,250,000 | District 8 | | \$ - | \$ 100,000,000 | \$ 200,250,000 | |
| | | | | Tax Code Bravo Assessed Value | | \$ 100,000,000 | |
| | | | | Tax Code Charlie Assessed Value | | \$ 100,000,000 | |
| HB 2470 Scenario Year 5 | | | | | | | |
| Tax Code Area | Assessed | Tax Code Area | Tax Code Area | Enterprise | Enterprise | Districts | |
| Alpha | Value | Bravo | Charlie | Zone New | Zone New | Total Assessed | |
| | | | | Value Year 1 | Value Year 2 | Value | |
| District 1 - City | \$ 200,250,000 | | | \$ - | \$ - | \$ 200,250,000 | |
| District 2 | \$ 200,250,000 | | District 2 | \$ - | \$ - | \$ 200,250,000 | |
| District 3 | \$ 200,250,000 | | District 3 | \$ - | \$ - | \$ 200,250,000 | |
| District 4 | \$ 200,250,000 | District 4 | | \$ - | \$ - | \$ 200,250,000 | |
| District 5 | \$ 200,250,000 | District 5 | | \$ - | \$ - | \$ 200,250,000 | |
| District 6 | \$ 200,250,000 | District 6 | | \$ - | \$ - | \$ 200,250,000 | |
| District 7 | \$ 200,250,000 | District 7 | | \$ - | \$ - | \$ 200,250,000 | |
| District 8 | \$ 200,250,000 | District 8 | | \$ - | \$ - | \$ 200,250,000 | |
| | | | | Tax Code Bravo Assessed Value | | \$ - | |
| | | | | Tax Code Charlie Assessed Value | | \$ - | |

HB 2470 Exemptions Affected by District Opt Outs

285C.170 Enterprise Zone construction-in-process exemption **does not apply to districts that do not elect to allow the exemption.**

285C.175 Enterprise Zone exemption **does not apply to districts that do not elect to allow the exemption.**

285C.362 Rural Renewable Energy Development Zone exemption **does not apply to districts that do not elect to allow the exemption.**

285C.409 Long Term Tax Incentives for Rural Enterprise Zone exemption **does not apply to districts that do not elect to allow the exemption.**

307.123 Property of Strategic Investment Program exemption **does not apply to districts that do not elect to allow the exemption.**

307.519 Low Income Rental Housing –
Currently only governing body unless 51% of rates buy in then all exempt. Changes it from only governing body and all if 51% to only governing body and **only districts that elect to allow the exemption.**

307.543 Nonprofit Corporation Low Income Housing –
Currently only governing body unless 51% of rates buy in then all exempt. Changes it from only governing body and all if 51% to only governing body and **only districts that elect to allow the exemption.**

307.606 Multiple-Unit Housing –
Currently only city or county unless 51% of rates buy in then all exempt. Changes it from only city or county and all if 51% to only city or county and **only districts that elect to allow the exemption.**

307.657 Single-Unit Housing –
Currently only governing body unless 51% of rates buy in then all exempt. Changes it from only city or county and all if 51% to only governing body and **only districts that elect to allow the exemption.**

308.456 Rehabilitated Residential Property –
Currently only governing body unless 51% of rates buy in then all exempt. Changes it from only governing body and all if 51% to only governing body and **only districts that elect to allow the limited assessment.**

