

## 2.001 ACADEMIES, DAY CARE, AND STUDENT HOUSING

**Oregon Statute:** 307.145

**Sunset Date:** None

**Year Enacted:** 1957

2015-16 Assessed Value of Property Exempted: \$1.4 billion

	Loss	Shift
2015-17 Revenue Impact:	\$41,600,000	\$8,300,000
2017-19 Revenue Impact:	\$45,900,000	\$9,100,000

**DESCRIPTION:** Property owned by a charitable or religious organization that is used for child care facilities, schools, academies, or student housing is exempt from property taxation under this provision. Child care facilities must be regulated by the Office of Child Care at the Department of Education unless exempted by rule. To qualify, the property must be used exclusively for, or in immediate connection with, educational purposes. The organization must file an application with the county assessor to claim the exemption.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to maintain tax treatment for certain school and child care properties that is comparable to the treatment provided to similar organizations under 2.086, Charitable, Literary, and Scientific Organizations.

**WHO BENEFITS:** Approximately 750 schools and day care properties in 16 counties were exempt in fiscal year 2015–16, with nearly half located within Multnomah County.

**EVALUATION:** *by the Department of Education*

This tax expenditure is used by organizations that qualify through preschool programs administered through the Oregon Department of Education’s Early Learning Division – Oregon Prekindergarten and Preschool Promise. It reduces costs of these programs, which helps lay the groundwork for a child’s intellectual, emotional, social, and physical development. It also helps children get a good start in life by supporting strong parenting, appropriate education, and adequate nutrition and health care. The Oregon Prekindergarten and Preschool Promise programs serve children who are below the federal poverty level. Studies have shown that participation in a quality preschool program increases the chances of a child successfully completing school and holding a job while decreasing the chances of dropping out of school and needing public assistance. Money invested in our youth through this program means less money will be required later for more costly programs. It is a fiscally effective method of achieving its purpose.

Property Tax  
Full Exemption

## 2.002 STUDENT HOUSING FURNISHINGS

**Oregon Statute:** 307.195

**Sunset Date:** None

**Year Enacted:** 1957

2015-16 Estimated Assessed Value of Property Exempted: \$4 million

	Loss	Shift
2015-17 Revenue Impact:	\$100,000	Less than \$100,000
2017-19 Revenue Impact:	\$100,000	Less than \$100,000

**DESCRIPTION:** Generally, household furnishings that are leased with a housing unit are considered taxable. However, all personal property, furniture, goods, and furnishings in a student housing cooperative, fraternity, or sorority are exempt from property taxation so long as the housing is not rented out for profit.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to reduce the costs associated with college housing. In conjunction with 2.098, Fraternities, Sororities, and Cooperatives, this expenditure provides equitable treatment with those students living on campus in publicly owned dormitories; see 2.003, Leased Student Housing Publicly Owned, for more information.

**WHO BENEFITS:** Nonprofit organizations that rent furnished units to college students, which in turn benefits students by reducing rental rates.

**EVALUATION:** *by the Higher Education Coordinating Commission*  
This tax expenditure achieves its purpose. As with real property taxes, the tax exemption on personal property for not-for-profit student housing is a valuable provision in minimizing housing costs for students. It is a fiscally effective means of achieving its purpose.

## 2.003 LEASED STUDENT HOUSING PUBLICLY OWNED

**Oregon Statute:** 307.110(3)(a)

**Sunset Date:** None

**Year Enacted:** 1947

2015-16 Estimated Assessed Value of Property Exempted: \$800 million

	Loss	Shift
2015-17 Revenue Impact:	\$23,800,000	\$4,700,000
2017-19 Revenue Impact:	\$26,300,000	\$5,200,000

**DESCRIPTION:** Publicly owned property that is rented or leased for housing purposes to students attending a school or college is exempt from property tax. This provision applies to all student housing, such as residence halls and student family housing, owned by public universities and leased to students. Residence halls owned by private colleges generally fall under tax expenditure 2.001, Academies, Daycare, and Student Housing. This provision is an exception to the general rule that public property is taxable when held under contract of sale or leased to a private individual or business.

Property Tax  
Full Exemption

## 2.005 PRIVATE LIBRARIES FOR PUBLIC USE

**Oregon Statute:** 307.160

**Sunset Date:** None

**Year Enacted:** 1854

2015-16 Assessed Value of Property Exempted: \$2.6 million

	Loss	Shift
2015-17 Revenue Impact:	Less than \$100,000	Less than \$100,000
2017-19 Revenue Impact:	Less than \$100,000	Less than \$100,000

**DESCRIPTION:** Private property used as a library open to the public is exempt from property taxation. The exemption includes the real property, books, and furnishings dedicated to library use. Privately owned libraries open to the general public use the exemption while publicly owned libraries are exempt under tax expenditure 2.079, State and Local Property. The owner must file an application with the county assessor to claim the exemption. (ORS 307.162)

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to broaden the application of tax expenditure 2.086, Charitable, Literary, and Scientific Organization exemption, to public or private libraries, acknowledging the public contribution of these efforts as activities and services that relieves government from having to provide the same.

**WHO BENEFITS:** Nine libraries use this exemption within Benton, Coos, Lane, Multnomah, and Tillamook counties.

**EVALUATION:** Not evaluated.

## 2.006 LEASED HEALTH CARE PROPERTY

**Oregon Statute:** 307.110(3)(i)

**Sunset Date:** None

**Year Enacted:** 1999

2015–16 Assessed Value of Property Exempted: Minimal

	Loss	Shift
2015-17 Revenue Impact:	Less than \$100,000	Less than \$100,000
2017-19 Revenue Impact:	Less than \$100,000	Less than \$100,000

**DESCRIPTION:** In general, when public property is held under contract of sale or is leased to a private individual or business, it is considered taxable. This tax expenditure exempts the property of a health district if the property is leased or rented for purposes of providing facilities for health care practitioners. The health district must reside in a frontier rural practice county, as defined by the Office of Rural Health. In 2016, ten counties were included in this category: Baker, Gilliam, Grant, Harney, Lake, Malheur, Morrow, Sherman, Wallowa and Wheeler.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage medical practitioners to practice in rural

areas by extending the public health district property tax exemption to property leased by health districts to private taxable entities.

**WHO BENEFITS:** Currently, one health district in Lake County and one health district in Sherman County benefit from this exemption.

**EVALUATION:** *by the Office of Rural Health*

This modest benefit costs local governments less than \$100,000 per biennium and affects only ten Oregon counties. It allows very fragile rural hospitals that are located in “frontier” communities to use a portion of their property to provide office space for physicians, without incurring a tax liability on those properties. Provision of adequate and convenient office space is often a critical factor in the recruitment and retention of rural physicians. Passage of this law has allowed Harney District Hospital to complete new office suites for its physicians and will play a significant role in allowing Wallowa Memorial Hospital in Enterprise to build a badly needed new facility.

## 2.007 SENIOR SERVICES CENTERS

**Oregon Statute:** 307.147

**Sunset Date:** None

**Year Enacted:** 1993

2015–16 Assessed Value of Property Exempted: \$8.2 million

	Loss	Shift
2015-17 Revenue Impact:	\$200,000	Less than \$100,000
2017-19 Revenue Impact:	\$200,000	Less than \$100,000

**DESCRIPTION:** Property that is owned by a nonprofit organization and used for senior services and qualified activities is exempt from property tax. To qualify, the property must be primarily used to provide services and activities primarily to people over age 50. Eligible services and qualified activities include food service programs, exercise and health screening, estate planning, crafts workshops, and dances or celebrations. If the property is used primarily for fund raising or as living quarters, then the exemption is not allowed. The nonprofit organization must file an application with the county assessor to claim the exemption.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to reduce the tax burden for organizations providing property and services to senior citizens.

**WHO BENEFITS:** Thirty senior service centers received this exemption in fiscal year 2015-16.

**EVALUATION:** *by the Department of Human Services*

There is insufficient information at this time to determine if this tax expenditure achieves its purpose. While it does exempt properties that do not meet the requirements of tax expenditure 2.086, Charitable, Literary, and Scientific

savings allows for homes to be built with fewer subsidies, which then better enables the nonprofit corporations to set purchase prices so that they are affordable to households earning at or below 80 percent area median income.

## 2.009 AGRICULTURAL HOUSING AND DAY CARE FACILITIES

**Oregon Statute:** 307.485

**Sunset Date:** None

**Year Enacted:** 1973, Modified in 2015 (HB 2610)

2015–16 Assessed Value of Property Exempted: \$13 million

	Loss	Shift
2015-17 Revenue Impact:	\$300,000	Less than \$100,000
2017-19 Revenue Impact:	\$300,000	Less than \$100,000

**DESCRIPTION:** Eligible agricultural workforce housing and farm labor camps for farm laborers, and eligible day care facilities operated in conjunction with those housing facilities, are exempt from property tax. All property eligible for this exemption must be owned or operated by a nonprofit corporation. Community-based eligible agricultural workforce housing provides occupancy to active, retired, or disabled agricultural workers and their families and must comply with applicable building codes. An eligible farm labor camp is a place where housing, sleeping places, or camping grounds provide occupancy in compliance with applicable safety and health standards for agricultural labor housing. Eligible child care facilities must be certified by the Office of Child Care at the Department of Education and operated in conjunction with eligible farm labor housing.

An exemption claim with supporting documentation must be made each year with the county assessor.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff summary for HB 2610 (2015), the purpose of this exemption "... is to expand the availability of low cost housing and child care facilities for agricultural workers and their families, so long as the property meets applicable safety and health standards." (Legislative Revenue Office, *Revenue Measures Passed by the 78<sup>th</sup> Legislature: 2015 Session.*)

**WHO BENEFITS:** Nonprofit owners and operators of agricultural workforce housing, farm labor camps and associated day care facilities. In fiscal year 2015-16, counties reported 26 exempt farm labor housing properties in five counties; most are located in Umatilla or Washington counties.

**IN LIEU:** In lieu of real and personal property taxes, the nonprofit corporation owning or operating the exempt agricultural workforce or farm labor housing must make annual payments to the county treasurer equal to 10 percent of net rental income from the previous year.

Nonprofit corporations operating agricultural workforce or farm labor housing do not usually have a net rental income after depreciation, and generally make no in lieu of tax payments. When payments are made, they are usually small. Any funds collected are distributed to taxing districts where the exempt property is located.

## 2.011 COMMERCIAL BUILDINGS UNDER CONSTRUCTION

**Oregon Statute:** 307.330

**Sunset Date:** None

**Year Enacted:** 1959

2015–16 Assessed Value of Property Exempted: \$400 million

	Loss	Shift
2015-17 Revenue Impact:	\$12,500,000	\$2,500,000
2017-19 Revenue Impact:	\$15,100,000	\$3,000,000

**DESCRIPTION:** Certain commercial and industrial buildings are exempt from property taxation while they are under construction. A new structure or an addition is exempt from property taxation if, on the January 1 assessment date, it meets the following requirements:

- The property is under construction, including additions to an existing structure.
- No part of the new structure or improvement has been or is in service for any commercial use or occupancy.
- The property is being built for the purpose of earning income.
- The property is not to be occupied for at least one year after construction began in the case of any non-manufacturing facility.
- The property is not centrally assessed (utility) property.

The exemption cannot be claimed for more than two consecutive years. Machinery and equipment at the building site also qualifies if it will be installed as real property in the structure. The property is listed on the county property tax assessment roll, but the assessment is canceled if proof that the property meets the above requirements is furnished to the assessor by April 1 of each assessment year.

The revenue impact estimates include those from the largely interchangeable tax expenditure 2.012, Construction in Process in an Enterprise Zone.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage investment in business by delaying property taxes until the facility can earn income. Manufacturing firms in particular may not experience immediate cash flow.

**WHO BENEFITS:** In fiscal year 2015–16, 60 properties were exempt under this expenditure or under 2.012, Construction in Process in an Enterprise Zone. The use of this provision is driven by construction projects and fluctuates substantially. The majority of the exempt value is in Portland or nearby cities; 45 properties were in Clackamas, Multnomah and Washington counties. Seven properties were in Lane County.

**EVALUATION:** *by the Oregon Business Development Department*

This expenditure achieves its purpose by allowing new traded-sector investments to delay paying property taxes until they are much more likely to be able to earn income. Economic consequences are also relevant. New construction and investments might be significantly deterred by the additional up-front cost of paying property taxes on partially finished but still unproductive property.

This expenditure is also administratively effective and efficient. Alternatives to this expenditure would be to refund such taxes through direct payments or credits on other taxes. The administrative burdens and complexity of these alternatives suggest

## 2.019 INDUSTRY APPRENTICESHIP/TRAINING TRUST

**Oregon Statute:** 307.580

**Sunset Date:** None

**Year Enacted:** 1983

2015-16 Estimated Assessed Value of Property Exempted: \$36 million

	Loss	Shift
2015-17 Revenue Impact:	\$1,000,000	\$200,000
2017-19 Revenue Impact:	\$1,100,000	\$200,000

**DESCRIPTION:** All real and personal property owned, held under contract of sale, or leased by an industry apprenticeship or training trust is exempt from property taxation if the industry apprenticeship or training trust meets all of the following conditions:

- The trust is organized only for assisting or implementing training programs according to ORS Chapter 660, Apprenticeship and Training
- The property is used exclusively and actively in training
- The trust is exempt from federal income taxes
- The trust does not discriminate based on age, race, religion, sex, or national origin.

The organization must file an application with the county assessor to claim the exemption. Industries and occupations likely to benefit from this exemption may include carpentry, electrical, masonry, plumbing, sheet metal, painting, mechanical, and machinist trades.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to provide equity between training trusts and other private schools. Trusts cannot qualify for an exemption under other statutes because they are not incorporated and are prevented from doing so by federal regulation. Many skilled labor occupations require an apprenticeship period in order to obtain a license in Oregon, and apprenticeship trusts provide training often unavailable at traditional schools.

**WHO BENEFITS:** The exemption lowers the cost of operation to the apprenticeship trusts.

**EVALUATION:** Not evaluated.

## 2.020 RURAL RENEWABLE ENERGY DEVELOPMENT ZONE

**Oregon Statute:** 285C.362

**Sunset Date:** None

**Year Enacted:** 2003

2015–16 Assessed Value of Property Exempted: \$100 million

	Loss	Shift
2015-17 Revenue Impact:	\$1,200,000	\$200,000
2017-19 Revenue Impact:	\$4,100,000	\$700,000

**DESCRIPTION:** Qualified property is exempt from property tax in a Rural Renewable Energy Development (RRED) Zone, if used for the generation of electricity from a “renewable energy resource” or for the manufacture, storage or distribution of biodiesel, ethanol or similar fuels made from applicable inputs, subject to hiring and other criteria.

Counties, cities in rural counties, or a combination of contiguous rural counties can request Oregon Business Development Department (Business Oregon) to designate them as a RRED Zone, encompassing all of the rural territory of the applicant jurisdiction(s), which is defined as any area outside the urban growth boundary of cities with a population of 30,000 or more. From 2006 to 2015, 14 counties were designated as RRED Zones, and one was re-designated to refresh the \$250-million cap discussed below. Three, expired in 2016 and were not renewed, so that 11 RRED Zones currently remain.

RRED Zones are indistinguishable from an enterprise zone in terms of the standard property tax exemption that it provides (see 2.013, Enterprise Zone Business). The geography for a RRED Zone is quite different from an enterprise zone, however. The entire territory of the applicant zone sponsor is designated as a zone, which is helpful in accommodating physically expansive developments, such as wind farms. In addition, a governing body of a zone sponsor (presently in all cases, the county government) may waive the employment requirement for projects with investment costs of \$5 million or more.

The overall amount of exemptions allowed within the zone is set by a local resolution with the zone’s designation, and by default, it cannot exceed \$250 million (increased from \$100 million in 2007) in real market value of property at the outset of the exemption.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose for this expenditure. Presumably, it is akin to that of the enterprise zone exemption, but specifically targeting renewable energy business development. See purpose of 2.013 Enterprise Zone Businesses.

**WHO BENEFITS:** Firms involved in the production of biofuels or electricity from renewable energy resources in rural communities. In fiscal year 2015–16, two projects received this exemption.

**EVALUATION:** *by the Oregon Business Development Department*

This expenditure has contributed to its purpose. Several businesses have placed projects into service, including biofuel production, community-size wind farms, geothermal power generation, and utility solar installations in rural areas, motivated in part it would seem by this incentive. Exempt 2015 projects employed at least 11

people full-time. (RRED Zone tax and other data are sometimes included as part of the annual county assessor reports required for standard enterprise zone exemptions, 2013, Enterprise Zone Businesses)

Biofuel projects can often just as easily use an existing enterprise zone, such that a RRED Zone designation offers only a convenient alternative for local governments. Initially suppressing actual use of this expenditure was the huge increase in the size of wind farms. As a result, such developments turned to a program more appropriate for their massive capital investments, see 2.101, Strategic Investment Program. After 2010, the RRED Zone program saw several different project types, but since then, use has subsided.

At the moment, upwards of 12 solar farms are authorized to begin exemptions anticipated during the 2017–19 biennium, but some of these and other potential solar energy projects may switch to or instead use another tax expenditure – 2.049, Solar Projects – reducing the estimated impacts above and future ones for this tax expenditure. In addition, even if using the RRED Zone program, these solar farms have generally received the \$5-million waiver noted above, absolving them of needing to create any job.

## 2.021 FEDERAL LAND UNDER SUMMER HOMES

**Oregon Statutes:** 307.183 and 307.184

**Sunset Date:** None

**Year Enacted:** 1975

2015-16 Estimated Assessed Value of Property Exempted: \$56 million

	Loss	Shift
2015-17 Revenue Impact:	\$1,300,000	\$200,000
2017-19 Revenue Impact:	\$1,400,000	\$200,000

**DESCRIPTION:** In general, when public property is held under contract of sale or is leased to a private individual or business, it is considered taxable. However, the land under summer homes that is owned by the Forest Service or Bureau of Land Management and used by permit or lease is exempt from property tax. The summer home, other buildings or structures, and improvements to the land (water or septic systems, electric service and landscaping) are all taxable to the lessee.

In 2013 the legislature removed the sunset for this exemption (SB 549).

**PURPOSE:** The statutes that allow this expenditure do not explicitly state a purpose. Presumably, the purpose is to avoid the administrative difficulty of valuing federal property that has restrictions on land use.

**WHO BENEFITS:** Owners of summer homes on federal land.

**EVALUATION:** Not evaluated.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to avoid the administrative difficulty of valuing federal property that has restricted land use.

**WHO BENEFITS:** In fiscal year 2015–16, approximately 30 operators of recreational facilities that operate under permit on federal land benefited from this exemption.

**IN LIEU:** Recreational facilities pay for permits to use the land. Twenty-five percent of the fees paid to the Forest Service are shared with counties.

**EVALUATION:** *by the Oregon Business Development Department*

This expenditure achieves its purpose. Recreation areas that benefit from this legislation are on Forest Service land via a Special Use Permit. This permit, while long term, is very restrictive and not at all like a typical, private landlord–tenant arrangement. These restrictions make it very difficult to establish a value on the property. In addition, removal of the property tax exemption for recreation facilities on federal lands would subject these areas to some level of double taxation unless other adjustments were also made. Moreover, exceptional legal complexities might attend efforts to assess taxes on land effectively still under federal ownership and control. Nevertheless, a Federal Forest Task Force that met during 2008 recommended repeal of this exemption.

## 2.026 NONPROFIT ELDERLY HOUSING STATE FUNDED

**Oregon Statute:** 307.242

**Sunset Date:** None

**Year Enacted:** 1977

2015–16 Assessed Value of Property Exempted: \$98 million

	Loss	Shift
2015-17 Revenue Impact:	*	\$3,500,000
2017-19 Revenue Impact:	\$3,700,000	*

*\*Any taxes exempted under this provision and not paid by the state result in a loss to the taxing districts. The amount of taxes paid by the state represents costs borne by the General Fund. At this time, sufficient funds to pay the taxes for the 2015-17 biennium are expected to be shifted from the General Fund to the Elderly Rental Assistance Program. As no funds are yet allocated for the 2017-19 biennium, the exempted taxes represent a loss to the taxing districts under current law.*

**DESCRIPTION:** Homes for the elderly built or acquired after January 1, 1977, by private nonprofit corporations (defined in ORS 307.375) that receive subsidies under certain federal and state housing programs are exempt from property taxation. Only the land and improvement value, not personal property, may be exempted. The corporation may not charge more than one month’s rent as a “move in” fee or deposit, and rents must reflect the property tax savings. The occupants do not qualify for the veteran’s exemption or homestead tax relief. If the corporation receives a state subsidy, any property added after January 1, 1990, is not eligible for exemption.

Under this provision, an amount equal to what the exempt taxes would have been is billed to the Department of Revenue. Funds to pay these amounts are appropriated as part of the Elderly Rental Assistance program. If the Elderly Rental Assistance program appropriation is not sufficient to pay the liabilities in full, distributions to both the Elderly Rental Assistance program participants and the counties for

Property Tax  
Full Exemption

nonprofit elderly housing property taxes exempted are prorated to the appropriation amount. In the event that this proration is necessary, it will result in a revenue loss to the taxing districts. For 2015-16, the payments made by the state totaled approximately \$1.7 million.

An annual claim must be filed with the county assessor. The assessor calculates the exempt property's taxes as if no exemption existed and that amount is paid by the state.

**PURPOSE:** To "assist private nonprofit corporations to provide permanent housing, recreational and social facilities, and care to elderly persons" (ORS 307.241).

**WHO BENEFITS:** Residents of exempted homes who pay lower rent as a result of the home not paying property tax. In 2016, eighteen counties had 49 homes receiving this exemption.

**EVALUATION:** *by the Housing and Community Services Department*

Generally, this expenditure appears to achieve its purpose. The effect of the state funded tax relief is to reduce housing project operating expenses, thereby reducing the rents to project occupants. Tenants otherwise would have to support the property taxes through the monthly rent they pay. The average monthly rent reduction is about \$40 per unit. For seniors on fixed incomes, any rent reduction can be significant.

Because eligible project sponsorship or ownership is limited to nonprofit corporations, it is assumed the full benefit of the tax relief is passed on to the project tenants. It is also assumed that the elderly households that reside in eligible housing projects have limited incomes that warrant the benefit of this rent reduction.

The current annual application process is very time consuming and involves a minimum of six separate steps each year. The administrative steps for county government include: 1) mail applications to each qualifying nonprofit, 2) verify information received from each applicant, 3) provide a copy of the information to the Department of Revenue, 4) notify applicant of approval/denial, 5) send tax statements and certification letter to the Department of Revenue for payment, and 6) notify applicant that the taxes have been paid. An alternative to the annual application could be a statement of compliance from the qualifying nonprofit, if verification is required.

An alternate means to provide an equal benefit to the project residents would be a rent subsidy program. However, administration of a rent subsidy program would be more administratively burdensome than the existing subsidy.

A direct property tax exemption may be a more efficient means to provide a like benefit to the project tenants. However, local taxing districts (such as cities and schools) would not receive compensating income if a direct property tax exemption were implemented in lieu of the tax relief program. This revenue loss would be relatively small when considered in the context of the overall scope of exemptions and special assessments. However, property taxes are direct expenses that affect the operating costs of rental housing. Without this exemption, seniors would likely experience corresponding increases in rent payments.

Property Tax  
Full Exemption

EVALUATION: *by the Oregon Business Development Department*

This exemption shifts a portion of the local property tax burden from owners and users of dock and airport property to owners of other property. Increased economic activity due to this exemption may compensate for this tax shift by increasing other local and state tax collections, and by supporting the upkeep and use of port infrastructure and of local airports in smaller communities.

## 2.031 SHIP REPAIR FACILITY MATERIALS

**Oregon Statute:** 308.256(7)

**Sunset Date:** None

**Year Enacted:** 1957

2015-16 Estimated Assessed Value of Property Exempted: Included in 2.027, Inventory

	Loss	Shift
2015-17 Revenue Impact:	Included in 2.027	Included in 2.027
2017-19 Revenue Impact:	Included in 2.027	Included in 2.027

DESCRIPTION: Materials and parts held by shipyards and ship repair facilities as of January 1 are exempt from property tax if by April 1, the parts and materials are physically attached or become part of watercraft undergoing major remodeling, renovation, conversion, or repair. The parts and materials are initially assessed, but assessors must cancel the assessment if documentary proof of qualification for exemption is provided before April 1.

The value of watercraft under construction or undergoing major remodeling is also exempt, as described in tax expenditure 2.136, Watercraft Locally Assessed.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to help Oregon shipyards compete with shipyards in other states.

WHO BENEFITS: This exemption predates the tax expenditure 2.027, Inventory. Most, if not all, of the material exempted by this statute would probably be considered inventory.

EVALUATION: Not evaluated.

administrative costs do not appear to be different among the various districts, whether association or state operated. Because the expenses of these associations are largely borne by the forest landowner, the associations would likely raise the assessments to landowners if this property were not exempt.

## 2.061 NONPROFIT PUBLIC PARK USE LAND

**Oregon Statute:** 307.115

**Sunset Date:** None

**Year Enacted:** 1971

2015–16 Assessed Value of Property Exempted: \$10 million

	Loss	Shift
2015-17 Revenue Impact:	\$300,000	Less than \$100,000
2017-19 Revenue Impact:	\$300,000	Less than \$100,000

**DESCRIPTION:** Nonprofit corporation property used for public park or recreation purposes is exempt from property taxation if the following conditions are met:

- The purpose of the corporation is to acquire park or recreation property or maintain and operate a public park and recreation facility.
- The property is used for public park or public recreation purposes and cannot be used for the production of income.
- Any net earnings of the corporation must not benefit any private individual.
- Upon dissolution, any remaining assets must revert to the state or a local government.
- The granting authority (either a city or a county governing body depending on which has jurisdiction) approves the application for exemption.

The nonprofit corporation must file an application with the county assessor to claim the exemption. The city or county governing body having jurisdiction will act on the application. This exemption is for 10 years and is renewable by reapplication.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage development of parks by private nonprofit corporations.

**WHO BENEFITS:** Roughly 35 privately owned parks are exempt under this provision.

**EVALUATION:** *by the Oregon Parks and Recreation Department*

This exemption appears to be effective in achieving its implied purpose. The exemption encourages the preservation of open space and park land. Little information or resources exist to allow an in-depth evaluation of this program, but as a matter of public policy, it contributes to the special quality of life in Oregon and helps meet the needs of a growing population for parks, open spaces, greenways, natural settings, and recreational facilities. The program also supplements what the government can provide by encouraging land protection and management decisions by nongovernment entities that also contribute to the public good. Studies show that parks and recreational facilities also contribute to local economies.

## 2.086 CHARITABLE, LITERARY, AND SCIENTIFIC ORGANIZATIONS

**Oregon Statute:** 307.130

**Sunset Date:** None (6-30-2022 for low income housing exemption)

**Year Enacted:** 1854, Modified in 2015 (HB 2171), 2016 (HB 4081)

2015–16 Assessed Value of Property Exempted: \$6.5 billion

	Loss	Shift
2015-17 Revenue Impact:	\$179,800,000	\$34,600,000
2017-19 Revenue Impact:	\$190,700,000	\$36,700,000

**DESCRIPTION:** Property owned or under contract of sale by literary, benevolent, and charitable organizations or scientific institutions is exempt from property taxation. To qualify, the organization or institution must:

- Be a nonprofit corporation
- Provide a charitable gift to the public without expectation of payment
- Occupy and use the property in a manner that furthers the organization’s charitable purpose.

Shelter workshops and retail stores selling donated or consigned goods to support a welfare program or not-for-profit housing program are exempt. Parking lots are exempt as long as there is no charge for at least 355 days each year. The organization or institution must file an application with the county assessor to claim the exemption. (ORS 307.162)

Legislation in 2007 exempted from taxation real and personal property of retail stores owned by nonprofit entities if the retail stores deal exclusively in donated inventory and the proceeds from the stores’ sales are used to financially support a not-for-profit housing program.

Legislation in 2014 exempted from property taxation real or personal property of a nonprofit corporation that was offered, occupied, or used as low income housing and granted exemption by the county as of the property tax year beginning July 1, 2012. This exemption originally sunset June 30, 2018, but legislation in 2016 changed the sunset data to June 30, 2022.

Legislation in 2015 expanded the exemption to include real and personal property owned or leased by a history museum or science museum if property is used to fulfill the mission of the museum and is used or occupied for one or more specific qualifying purposes, including food service facility or concession, retail store, parking lot, theater located in a museum, unimproved land that is not specially assessed, displays storage areas, and educational classrooms or meeting areas. The legislation also specified that the exemption does not apply to property used or occupied as a hotel, water park, chapel, or for any commercial enterprise.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to recognize the social benefits of some nonprofit organizations by providing tax relief.

Property Tax  
Full Exemption

**WHO BENEFITS:** This exemption applies to many nonprofit organizations. Examples are some hospitals, social services, museums, youth and athletic groups, summer camps, and conservation groups. In fiscal year 2015–16, approximately 6,500 properties were exempt, but the number of organizations is unknown because the same organization may have property in more than one county.

**EVALUATION:** Not evaluated.

## 2.087 FRATERNAL ORGANIZATIONS

**Oregon Statute:** 307.136

**Sunset Date:** None

**Year Enacted:** 1961

2015–16 Assessed Value of Property Exempted: \$530 million

	Loss	Shift
2015-17 Revenue Impact:	\$14,600,000	\$2,800,000
2017-19 Revenue Impact:	\$15,500,000	\$3,000,000

**DESCRIPTION:** Property used for fraternal lodge work, entertainment, or recreational purposes is exempt from property taxation. Fraternal organization property remains exempt even while being rented or leased to other persons so long as the rent does not exceed expenses for heat, lights, water, janitorial services and supplies. Parking lots are exempt as long as there is no charge for at least 355 days each year. The fraternal organization must file an application with the county assessor to claim the exemption.

To qualify, a fraternal organization must:

- Be organized as a nonprofit
- Be established under the lodge system with ritualistic form of work and representative form of government
- Support some benevolent or charitable activity
- Not distribute any income to its officers, members, or employees except for reasonable compensation for services
- Not be a college fraternity or sorority.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to recognize the social benefits of fraternal organizations.

**WHO BENEFITS:** In fiscal year 2015-16, approximately 1,180 properties were exempt. Qualifying organizations include the State Grange, American Legion, Veterans of Foreign Wars, Eagles, Elks, Masons, Moose, Odd Fellows, Knights of Pythias, Knights of Columbus, Lions Clubs, Soroptimists, Rotary, and Kiwanis.

**EVALUATION:** Not evaluated.

## 2.088 RELIGIOUS ORGANIZATIONS

**Oregon Statute:** 307.140

**Sunset Date:** None

**Year Enacted:** 1854

2015–16 Assessed Value of Property Exempted: \$4.2 billion

	Loss	Shift
2015-17 Revenue Impact:	\$116,800,000	\$22,500,000
2017-19 Revenue Impact:	\$123,900,000	\$23,800,000

**DESCRIPTION:** Houses of public worship and other buildings or property used solely for administration, education, literary, benevolent, charitable, entertainment and recreational purposes by religious organizations, and cemeteries are exempt from property tax. Parking lots are exempt as long as there is no charge for at least 355 days each tax year. The religious organization must file an application with the county assessor to claim the exemption.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to recognize the social benefits of religious organizations.

**WHO BENEFITS:** In fiscal year 2015–16, approximately 8,180 properties were exempt.

**EVALUATION:** Not evaluated.

## 2.089 TRANSFER OF LAND FROM CEMETERY TO SCHOOL

**Oregon Statutes:** 307.157

**Sunset Date:** 12-31-2010 (owned or purchased by), 6-30-2021 (full sunset)

**Year Enacted:** 2001

2015-16 Estimated Assessed Value of Property Exempted: \$1.2 million

	Loss	Shift
2015-17 Revenue Impact	Less than \$100,000	Less than \$100,000
2017-19 Revenue Impact	Less than \$100,000	Less than \$100,000

**DESCRIPTION:** In general, if land that was used or held exclusively for cemetery or crematory purposes ceases to be used or held exclusively for cemetery or crematory purposes, it becomes taxable. Additional taxes on the land are applied at the time of the property's disqualification from exempt status. The additional taxes are equal to the taxes on the land for the last 10 years that would have been calculated if not for the exempt status (see ORS 307.155).

Under this provision, land that ceases to be used for cemetery or crematory purposes exempt under 2.090, Cemeteries, Burial Grounds, and Mausoleums, remains exempt as long as the land was owned or being purchased by an incorporated charitable institution in connection with educational purposes between December 31, 2000 and January 1, 2011.

The additional taxes that would have been due except for this provision are also reduced by 10 percent for each 12-month period that the land is owned or was being

Property Tax  
Full Exemption

purchased by the charitable institution for use in connection with educational purposes.

To qualify for this deferral and reduction of the potential additional tax, the property must have been owned or was being purchased between December 31, 2000 and January 1, 2011. As long as the ownership and educational use continues, the exemption and deferral of additional tax continues through tax year 2020-21.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to eliminate the potential tax burden when transferring property from cemetery to educational use.

**WHO BENEFITS:** Owners of land that transferred from a cemetery to an incorporated charitable institution in connection with educational purposes between December 31, 2000 and January 1, 2011.

**EVALUATION:** Not evaluated.

## 2.090 CEMETERIES, BURIAL GROUNDS, AND MAUSOLEUMS

**Oregon Statute:** 307.150

**Sunset Date:** None

**Year Enacted:** 1854

2015–16 Assessed Value of Property Exempted: \$240 million

	Loss	Shift
2015-17 Revenue Impact:	\$6,600,000	\$1,300,000
2017-19 Revenue Impact:	\$7,000,000	\$1,300,000

**DESCRIPTION:** Burial grounds, tombs, and rights of burial are exempt from property taxation. Also, land not exceeding a total of 30 acres and buildings of crematory associations are exempt. Buildings to store maintenance equipment are included in the exemption. To qualify, a claim must be filed with the county assessor. Family burial grounds are exempt without application.

This statute exempts both nonprofit and for-profit cemetery and crematory associations, as well as family burial grounds. The property tax exemption for cemeteries and crematory properties is granted regardless of the organizational structure or state in which an association is organized.

Cemeteries owned by cities, counties, or cemetery districts are exempt by tax expenditure 2.079, State and Local Property. Cemeteries owned and maintained by religious organizations are exempt by tax expenditure 2.088, Religious Organizations.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is implementation of traditional public policy to not tax cemeteries.

**WHO BENEFITS:** For tax year 2015–16, almost 1,130 properties were exempt. Over half of the exempt value is located in Multnomah County.

**EVALUATION:** Not evaluated.

## 2.091 CONVENTION FACILITIES

**Oregon Statutes:** 263.290

**Sunset Date:** 6-30-2017

**Year Enacted:** 1985

2015–16 Assessed Value of Property Exempted: \$0

	Loss	Shift
2015-17 Revenue Impact:	\$0	\$0
2017-19 Revenue Impact:	\$0	\$0

**DESCRIPTION:** Any real or personal property acquired, owned, leased, controlled, used, or occupied by a sports and convention facilities commission established under ORS 263.210 is exempt from property taxation. The commission must be created by a ballot measure and established as a municipal corporation.

Legislation in 2013 (HB 2227) placed a sunset date of June 30, 2017 on this exemption.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to ensure the property of these municipal corporations is not taxed.

**WHO BENEFITS:** There are no known beneficiaries of this statute.

**EVALUATION:** Not evaluated.

## 2.092 CITY OWNED SPORTS FACILITY

**Oregon Statutes:** 307.171

**Sunset Date:** None

**Year Enacted:** 2001

2015-16 Estimated Assessed Value of Property Exempted: \$48 million

	Loss	Shift
2015-17 Revenue Impact:	\$2,100,000	\$200,000
2017-19 Revenue Impact:	\$2,200,000	\$300,000

**DESCRIPTION:** In general, when public property is held under contract of sale or is leased to a private individual or business, it is considered taxable. However, this provision exempts any sports facility owned by a city with a population of at least 500,000 from taxation, even if leased to or operated by a taxable entity.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage the use of the specific qualifying facility as a private sports venue.

**WHO BENEFITS:** The only facility affected by this statute is Providence Park in Portland.

**EVALUATION:** Not evaluated.

## 2.095 PROPERTY OF LLC OWNED BY NONPROFIT CORPORATION

**Oregon Statute:** 307.022

**Sunset Date:** None

**Year Enacted:** 2005

2015-16 Assessed Value of Property Exempted: \*

	Loss	Shift
2015-17 Revenue Impact:	*	*
2017-19 Revenue Impact:	*	*

\* Included in other ORS Chapter 307 property exemption tax expenditures.

**DESCRIPTION:** A Limited Liability Company (LLC) that is wholly owned by a nonprofit corporation qualifies for a special assessment or property tax exemption if the nonprofit corporations would qualify. The LLC's property qualifies for special assessment or exemption if it is exclusively using the property consistent with the non-profit corporation's purposes.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to allow nonprofit owners of property to structure their property ownership in a way that provides the limited liability protection of an LLC while still providing the owner a property tax benefit.

**WHO BENEFITS:** Nonprofit corporations that would qualify for a property tax exemption or special assessment that own property through wholly owned LLCs.

**EVALUATION:** Not evaluated.

## 2.096 FEDERAL PROPERTY

**Oregon Statute:** 307.040

**Sunset Date:** None

**Year Enacted:** 1848

2015-16 Estimated Assessed Value of Property Exempted: \$66 billion

	Loss	Shift
2015-17 Revenue Impact:	\$1,841,700,000	\$354,200,000
2017-19 Revenue Impact:	\$1,939,900,000	\$373,000,000

**DESCRIPTION:** Property of the United States and its agencies is exempt from property tax when taxation is prohibited by federal law. Federal property held under contract of sale or lease by a private party is generally taxable.

The Oregon Legislature exempted some leasehold interests of federal land that otherwise would be taxable. Refer to the following exemptions in this report:

- 2.025, Federal Land Under Recreation Facility
- 2.021, Federal Land Under Summer Homes
- 2.041, Leased Federal Grazing Land
- 2.055, Federal Standing Timber Under Contract

## 2.098 FRATERNITIES, SORORITIES, AND COOPERATIVES

**Oregon Statute:** 307.471

**Sunset Date:** None

**Year Enacted:** 1973

2015–16 Assessed Value of Property Exempted: \$40 million

	Loss	Shift
2015-17 Revenue Impact:	\$500,000	\$100,000
2017-19 Revenue Impact:	\$500,000	\$100,000

**DESCRIPTION:** Certain property owned by a qualified nonprofit corporation, such as a fraternity, sorority, or cooperative housing organization, is exempt from property taxes imposed by schools, educational service districts, and community colleges. The property must be rented exclusively to students who attend an accredited educational institution which offers at least a two-year program acceptable for full credit toward a baccalaureate degree, and student occupancy must be nondiscriminatory with regard to race, creed, color, and national origin.

An application to the county assessor is required to claim the exemption. If an exempt property loses qualified status, the owner is required to notify the assessor. If notification is not provided and the property is disqualified, additional taxes equal to the tax benefit of the exemption for all exempted prior years plus interest and a 20 percent penalty on the tax amount shall be assessed. Tax expenditure 2.003, Leased Student Housing Publicly Owned, covers similar property owned by a public college.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to help keep college housing costs to a minimum and provide equitable treatment with those students living on campus in publicly-owned residence halls.

**WHO BENEFITS:** In fiscal year 2015–16, approximately 80 accounts were exempt and located primarily in Benton, Lane, and Yamhill counties.

**EVALUATION:** *by the Higher Education Coordinating Commission*

This tax expenditure achieves its purpose and contributes to containing the costs of higher education. Fraternities, sororities, and cooperatives are not-for-profit organizations that primarily or exclusively serve students. They are also important and traditional components in the housing supply for colleges and universities. These organizations provide the second largest option for campus student housing (residence halls are the first). Consequently, this exemption is valuable in supporting higher education. It is a fiscally effective means of achieving its purpose.

## 2.099 NEW RURAL HEALTH CARE FACILITIES

**Oregon Statutes:** 307.804(2)

**Sunset Date:** None

**Year Enacted:** 2001

2015–16 Assessed Value of Property Exempted: \$0

	Loss	Shift
2015-17 Revenue Impact:	\$0	\$0
2017-19 Revenue Impact:	\$0	\$0

<b>DESCRIPTION:</b>	<p>Real and personal property of a rural health care facility may be exempt from property taxation if the property constitutes new construction, new additions, new modifications, or new installations of property as of the first assessment date for which the facility is in service. Land and other existing property are not exempt.</p> <p>The exemption lasts three years, but the taxpayer must file its intention to take the exemption each year. The exemption is available only in a county where the county governing body has passed a resolution authorizing the exemption and then only from the taxes of taxing districts that elect to participate by also passing a resolution or ordinance.</p> <p>A rural health care facility is one that is located in a rural health service area with an average travel time of more than 30 minutes from a population center of 30,000 or more, as determined by the Office of Rural Health, and is used exclusively to provide medical care.</p>
<b>PURPOSE:</b>	The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to promote health care in rural areas.
<b>WHO BENEFITS:</b>	No facilities are currently using this exemption.
<b>EVALUATION:</b>	Not evaluated.

## 2.100 LONG TERM CARE FACILITIES

**Oregon Statute:** 307.811

**Sunset Date:** None

**Year Enacted:** 1999

2015–16 Estimated Assessed Value of Property Exempted: \$3.8 million

	Loss	Shift
2015-17 Revenue Impact:	\$100,000	Less than \$100,000
2017-19 Revenue Impact:	\$100,000	Less than \$100,000

<b>DESCRIPTION:</b>	<p>A property tax exemption is allowed for real and personal property that is used solely in the operations of a long term care facility that has been certified for the tax year as an essential community provider long term care facility. Qualifying long term care facilities are: nursing facilities, assisted living facilities, residential care facilities, and adult foster homes. The owner of the facility must file with the county assessor a copy of a certificate issued by the Senior and People with Disabilities Division of the Oregon Department of Human Services. Adult foster homes must have an average</p>
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Property Tax  
Partial Exemption

residency rate of at least 60 percent of residents eligible for Medicaid, whereas all other qualifying facilities must have a residency rate of 50 percent. (ORS 443.888). The facility will only receive a property tax exemption from those taxing districts granting the exemption.

**PURPOSE:** The statutory policy is to recognize that "...owners of long term care facilities that devote substantial proportions of those facilities to providing long term care to residents eligible for medical services under Medicaid provide an essential community service. The Legislative Assembly declares that a property tax exemption will enable these essential community provider long term care facilities to increase the quality of care provided to facility residents." (ORS 307.808)

**WHO BENEFITS:** In fiscal year 2015-16, three accounts total were reported to receive this exemption in Jefferson and Harney counties.

**EVALUATION:** *by the Department of Human Services*

This tax measure has been a foundational part of the establishment and growth of long-term care facilities. However, the correlation between the savings from this tax measure and increased quality of care has not been quantitatively or qualitatively validated. This measure does achieve the goal of incentivizing individuals to provide long-term care services.

## 2.101 STRATEGIC INVESTMENT PROGRAM

**Oregon Statute:** 307.123

**Sunset Date:** None

**Year Enacted:** 1993, Modified in 2015 (HB 2652 and SB 129)

2015–16 Assessed Value of Property Exempted: \$14.5 billion

	Loss	Shift
2015-17 Revenue Impact:	\$406,300,000	\$78,100,000
2017-19 Revenue Impact:	\$447,100,000	\$86,100,000

**DESCRIPTION:** A partial property tax exemption is allowed for up to 15 years on eligible projects, if the real market value of the new investment exceeds \$100 million, or \$25 million in rural areas, which are defined as outside the current urban growth boundary (UGB) surrounding any city of 40,000 or more in population. (Prior to 2015, rural was based on UGBs as they existed in 2002 and a city population maximum of 30,000) The assessed value of the property below the threshold amount, based on its real market value (RMV), is still subject to taxes; the remainder of RMV is exempt. This exemption threshold then increases 3 percent each year during the exemption period.

The new investment must benefit a traded-sector industry, which is one that sells goods or services in markets with national or international competition, including but not limited to manufacturing, and the business making the investment and operating the project needs to enter into a "first source" hiring agreement with local publicly funded job training providers.

Approval of a Strategic Investment Program (SIP) project requires a county public hearing, written agreement between the business and the county (and city if applicable), and formal action by the county governing body. The Oregon Business

Development Commission (OBDC) makes a final determination of project eligibility in order for it to receive SIP tax treatment.

In contrast to local negotiation of a unique agreement each time and case-by-case approval, a county may request that the OBDC establish a Strategic Investment Zone (SIZ), in which eligible projects are then subject to standardized local requirements and a streamlined approval process. Three SIZs were designated in 2009 and 2010, but they have not yet seen an eligible project.

In applying to the state for this exemption, businesses must pay fees equal to \$10,000 (\$5,000 in rural areas). An additional \$50,000 (\$10,000 in rural areas) is due with the OBDC's determination of eligibility, from which the Department of Revenue receives 50 percent for administrative purposes. The remaining funds are deposited in the Oregon Business, Innovation and Trade Fund

A business benefitting from this tax expenditure also needs to pay to the county an annual community service fee (see In Lieu below) in addition to other requirements under the agreement with the county, which typically entail further payments to local governments.

In 2007, the Legislature provided for local "gain share" of annual personal income tax revenue from state tax collections attributable to new and retained employment at SIP projects between 2011 and 2020. A percentage of the estimated amount of state revenue is transferred to the county and distributed locally under the same formula agreed to among taxing districts for the community service fee. In 2015, the Legislature (SB 129):

- Extended the gain-share provisions through 2024.
- Capped the total that any one county could receive at \$16 million per year, currently affecting only Washington County.
- Reduced from 50 percent to 20 percent, the portion of estimated tax revenue from retained jobs that is subject to transfer (it is still 50 percent for new-job revenue).

**PURPOSE:** "...to improve employment in areas where eligible projects are to be located and [the Legislative Assembly] urges business firms that will benefit from an eligible project to hire employees from the region in which the eligible project is to be located whenever practicable" (ORS 285C.603).

**WHO BENEFITS:** By 2016, 17 SIP projects were receiving the property tax exemption; five others had been formerly exempt. The Intel Corporation continues to dominate the program with investments in high-technology semiconductor fabrication; other projects include paper products, biopharmaceuticals and (mostly) electricity generation. Currently, Intel has only one exempt project, which was approved in 2005 for as much as \$25 billion, presently accounting for 60 to 70 percent of the program's total property value. In 2014, Intel executed its fifth SIP agreement in Washington County for future investments up to \$100 billion.

**IN LIEU:** Businesses that have value exempt under SIP pay a community service fee each year equal to 25 percent of the property taxes that would have otherwise been imposed. The fee is capped at a maximum of \$2 million (\$500,000 in rural areas) per year. In 2015, businesses in the Strategic Investment Program paid \$7 million in statutory community services fees on top of \$38 million in other locally negotiated payments. The community service fees are distributed generally among the county, city (if any) and other (non-school) taxing districts under a local intergovernmental agreement.

EVALUATION: *by the Oregon Business Development Department*

The program appears to achieve its goal of leveling the proverbial playing field for extraordinarily large, highly capital-intensive investments in Oregon, particularly in high technology and power generation industries.

A key question in evaluating this tax expenditure is the counterfactual of whether the investments would have been made without the program. This cannot be answered with certainty, but anecdotal evidence suggests that the program was crucial for Oregon locations being chosen as the site of exceptionally large investments in new property and for keeping key existing industries in the state. That local officials have thoughtfully approved more than 20 SIP projects indicates that these officials consider these tax expenditures to have a net positive value on their communities.

Judgments vary as to whether or not tax incentives like SIP are good for local or regional economies. Some observers contend that such incentives merely benefit participating companies, who receive lower tax bills at the expense of participating jurisdictions or existing taxpayers. Other experts would show how both participants gain from well-structured arrangements, with companies paying more reasonable taxes in communities that place a higher value than other localities on the companies' jobs, local purchases and other benefits, and that these incentives generally stimulate growth and competitiveness.

In 2014–15, businesses in the program enjoyed net savings of \$174 million in property taxes, less \$45 million of nontax fees paid under local SIP agreements, representing around \$137 million in net revenue loss to local government (after also adjusting for levy shifts)—such amounts might well exceed the taxes paid by residential or commercial developments that have considerably greater impacts on public services.

Offsetting these amounts, as reported under the gain-share provisions discussed above, are full-time equivalent jobs, created or retained directly by these projects, numbering 12,506, and earning incomes of nearly \$120,000 per year on average, and thereby, generating an estimated \$94 million in state personal income taxes in 2015.

Such investments and employment will also generate indirect and induced economic effects that cycle through to public revenues, in addition to direct revenue from other taxes and fees paid by the businesses.

The 2003 Legislature added a lower rural threshold of \$25 million, so that the program could enjoy greater variety in terms of geography and industry types, but even outside of rural areas, \$25 million still signifies an unusually large and special project. This rural version of SIP appears to have had the desired effect, although it was in no way intended as a panacea for Oregon's struggling rural economies, which might hope for even greater diversity under the program. Intel is essentially the lone remaining user of the SIP's urban version.

Finally, about \$150 billion in eligible investments has been approved, with still much of it yet to occur and most of it, of course, in the Hillsboro semiconductor industry. In light of the gross property taxes that arise, such quantities of private capital expenditure might be very unlikely without SIP or something like it.

For any company whose property is eligible for an exemption under both this exemption and 2.102, Cap on Central Assessment for Certain Companies, the Department of Revenue shall appraise the value of the property under both exemptions for each property tax year and use the provisions of the section that result in the lowest amount of taxable value.

Because the legislation enacting this statute did not explicitly set a sunset for this tax expenditure, ORS 315.037(3) establishes the sunset as six years after the first effective tax year. In this case, there can be no more approvals after tax year 2021.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for SB 611 (2015), “The policy purpose of this measure is to provide tax relief for centrally assessed companies, primarily those with high levels of intangible value and to create a tax environment that incentivizes investment by centrally assessed communication companies in Oregon.”

**WHO BENEFITS:** Companies approved that build, maintain and operate qualified gigabit internet projects and the public that has access to the services generated.

**EVALUATION:** *by the Public Utility Commission*

While three projects have been qualified and are therefore eligible to request a tax break from DOR, none have received an exemption. Therefore, it cannot be determined if the exemption is meeting its purpose.

## 2.104 CERTAIN COMMUNICATION RELATED PROPERTY

**Oregon Statute:** 308.671

**Sunset Date:** None

**Year Enacted:** 2001, Modified 2015 (SB 611)

2015–16 Assessed Value of Property Exempted: \$940 million

	Loss	Shift
2015-17 Revenue Impact:	\$33,600,000	\$6,500,000
2017-19 Revenue Impact:	\$42,300,000	\$8,100,000

**DESCRIPTION:** A communication company may elect one of the following types of property to be exempt from property taxation:

- Licenses granted by the Federal Communication Commission.
- If the company is in the business of communication, franchises.
- Satellites that are used by the company to provide communication services directly to retail customers or that are being constructed for such use and Federal Communications Commission licenses related to the use of the satellites to provide the communication services.

The value of the property is equal to the book value of the property carried in the accounting records of the owner and may not be included in the real or tangible personal property value of these companies.

Property Tax  
Partial Exemption

Legislation in 2015 (SB 611) added the exemptions for franchises and satellites to this provision.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for SB 611 (2015), which modified this provision, “The policy purpose of this measure is to provide tax relief for centrally assessed companies, primarily those with high levels of intangible value and to create a tax environment that incentivizes investment by centrally assessed communication companies in Oregon.”

**WHO BENEFITS:** Communication companies that have FCC licenses, franchises or satellites are the main beneficiaries of this provision.

**EVALUATION:** *by the Public Utility Commission*

The statute appears to provide tax relief for centrally assessed companies, primarily those with high levels of intangible value and to create a tax environment that incentivizes investment by centrally assessed communication companies in Oregon. However, the PUC does not have information on which companies have received tax relief under this option. Presumably, this option would remove one potential barrier for some types of companies looking to invest in Oregon.

## 2.105 VERTICAL HOUSING DEVELOPMENT ZONE

**Oregon Statute:** 307.864

**Sunset Date:** 12-31-2025 (for new certifications)

**Year Enacted:** 2001, Modified in 2015 (HB 2126)

2015–16 Assessed Value of Property Exempted: \$44 million

	Loss	Shift
2015-17 Revenue Impact:	\$1,300,000	\$300,000
2017-19 Revenue Impact:	\$1,400,000	\$300,000

**DESCRIPTION:** A partial property tax exemption is available for qualified residential housing combined with nonresidential uses in a vertical housing development zone. A vertical housing development zone is a designated area sponsored by a city or county that has been approved by the Oregon Housing and Community Services Department (OHCS).

The qualified project must consist of a multiple-story building or group of buildings, including at least one multiple story building containing nonresidential and residential space in any proportion. The partial property tax exemption depends on the number of floors dedicated to residential housing, calculated using an equalized floor measure which is the total square footage of the project divided by the number of floors that are at least 500 square feet per floor. If the project consists of one equalized floor of residential housing, it is 20 percent exempt; with two equalized floors, it is 40 percent exempt; with three equalized floors, it is 60 percent exempt; and with four or more equalized floors, the project is 80 percent exempt. The exemption lasts for a maximum of 10 years. If any of the residential floors are converted to commercial space, the project may receive a reduced exemption or be disqualified.

the property must consist of qualifying rental housing. Having met these requirements, a nonprofit will receive its exemption.

The tax expenditure appears to be both a fiscally effective and efficient means of achieving its goal. These exemptions can be counted as matching funds by the state and other local participating jurisdictions to enable the expenditure of HUD Home Investment Partnerships funds.

## 2.112 DISABLED VETERANS OR THEIR SURVIVING SPOUSES

**Oregon Statute:** 307.250

**Sunset Date:** None

**Year Enacted:** 1921

2015–16 Assessed Value of Property Exempted: \$1 billion

	Loss	Shift
2015-17 Revenue Impact:	\$28,600,000	\$5,500,000
2017-19 Revenue Impact:	\$30,900,000	\$5,900,000

**DESCRIPTION:** Eligible veterans or their surviving spouses may file a claim to have a portion of their homestead or personal property’s assessed value exempt from property taxes. Claims must be filed by April 1 or within 30 days of acquiring property between March 1 and June 30.

To qualify for this exemption:

- The taxpayer must own and live on the property. The surviving spouse of a veteran must not remarry.
- A veteran must have disabilities of 40 percent or more as certified by The United States Department of Veterans Affairs or any branch of the United States Armed Forces. Alternatively, a veteran can be certified as having disabilities of 40 percent or more by a private licensed physician, however the veteran must have total gross income of not more than 185 percent of federal poverty guidelines. Legislation in 2007 removed the annual filing requirement for this exemption except for veterans with exemption contingent on meeting the income criteria.

For fiscal year 2016–17, the exemption amount was \$20,158. If the veteran had service connected disabilities the exemption amount was \$24,191. These amounts increase by 3 percent each year.

Qualified nonprofit homes for the elderly as defined in a related expenditure, 2.113, Veterans in Nonprofit Elderly Housing, can claim this exemption for their eligible residents if they pass the tax benefit through to these residents in terms of lower rents. The revenue impacts reported here include those real property exemptions for eligible veterans or their surviving spouses who live in these qualified nonprofit homes for the elderly.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to recognize the service and sacrifices made by veterans for the country and to compensate veterans for reductions in civilian earning capacity due to disabilities.

**WHO BENEFITS:** For fiscal year 2015–16, counties reported that approximately 41,770 properties inhabited by eligible veterans or their surviving spouses claimed this exemption.

**EVALUATION:** *by the Department of Veterans' Affairs*

This tax expenditure achieves its purpose by providing an additional income benefit to disabled veterans and surviving spouses of veterans. In many cases, if it were not for this benefit, the veteran or spouse may lose their home or become dependent on social assistance programs. This additional spendable income also helps the local economy.

The expenditure is fiscally effective. It allows disabled veterans and surviving spouses to remain independent and reduces their use of other social programs.

## 2.113 VETERANS IN NONPROFIT ELDERLY HOUSING

**Oregon Statute:** 307.370

**Sunset Date:** None

**Year Enacted:** 1969

2015–16 Assessed Value of Property Exempted: \$10 million

	Loss	Shift
2015-17 Revenue Impact:	\$300,000	Less than \$100,000
2017-19 Revenue Impact:	\$300,000	Less than \$100,000

**DESCRIPTION:** Personal property used in the operation of nonprofit homes for the elderly and attributable to veterans or their surviving spouses is exempt from property taxation. A claim for this exemption must be filed with the county assessor.

To qualify for this exemption:

- The home must be exclusively occupied and used in the operation of a nonprofit home for elderly persons.
- The home must receive at least 95 percent of its operating revenue (excluding investment income) from residents for living, medical, recreational and social service costs.
- The home cannot allow any of its net earnings to benefit any private individual.
- The nonprofit corporation provides in its articles that, if the corporation is dissolved, any remaining assets revert to the state or to an exempt, religious, charitable, scientific, literary, or educational organization.

There are two related tax expenditures. An exemption for real property is included in expenditure 2.112, Disabled Veterans or Their Surviving Spouses. Expenditure 2.125, Nonprofit Housing for the Elderly, allows these nonprofit homes the option of using a special assessment that generally results in lower assessed values and taxes on these properties.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to extend veteran property tax exemption benefits to those not owning a home, but living in a nonprofit home for elderly persons. In addition, the personal property exemption is to encourage housing for the elderly.

Property Tax  
Partial Exemption

**WHO BENEFITS:** In fiscal year 2015–16, three counties reported fewer than ten nonprofit homes for the elderly claimed this exemption for their personal property.

**EVALUATION:** *by the Department of Veterans' Affairs*

This tax expenditure achieves its purpose by allowing disabled veterans and spouses who are living in nonprofit homes for the elderly to receive a rent reduction equivalent to the tax reduction for those who own their homes, as described in 2.112, Disabled Veterans or Their Surviving Spouses. This benefit may allow disabled veterans and surviving spouses to remain independent and reduce their use of other social programs.

According to statute, each nonprofit corporation must provide information to the county assessor to show that the appropriate rent credit was given to each applicable resident.

## 2.114 EGG PROCESSING EQUIPMENT

**Oregon Statute:** 307.462

**Sunset Date:** 06-30-2012

**Year Enacted:** 2007

2015–16 Estimated Assessed Value of Property Exempted: \$9.8 million

	Loss	Shift
2015-17 Revenue Impact:	\$100,000	Less than \$100,000
2017-19 Revenue Impact:	\$0	\$0

**DESCRIPTION:** The Egg Processing Equipment property tax exemption expired as of June 30, 2012, however, there can be revenue impacts in the 2015–17 biennium due the property being exempt for five years after certification. Newly acquired machinery or equipment used by egg processing businesses is exempt from property taxation for five years. The last year a business can receive the exemption is for tax year 2015-16. The machinery or equipment may have been new or used, as long as it was newly acquired by the egg processor. Qualified machinery was certified by the Oregon Department of Agriculture.

Egg processing businesses are those that freeze, can, dehydrate, concentrate, preserve, process or repack eggs in any procedure that occurs before the first sale by the processor. This exemption differs from 2.034, Food Processing Equipment (other than the type of equipment exempted), as the Egg Processing Equipment exemption applies only to the taxes of taxing districts that have adopted an ordinance or resolution authorizing the exemption.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose was to encourage the continued operation and expansion of the egg processing industry in Oregon.

**WHO BENEFITS:** Egg processors that acquired machinery and equipment. In 2015-16, fewer than five accounts received this exemption, all in Marion County.

**EVALUATION:** Not evaluated.

## 2.119 HOMESTEAD EXEMPTION FOR ACTIVE DUTY MILITARY

**Oregon Statute:** 307.286

**Sunset Date:** None

**Year Enacted:** 2005

2015–16 Estimated Assessed Value of Property Exempted: \$4.5 million

	Loss	Shift
2015-17 Revenue Impact:	\$100,000	Less than \$100,000
2017-19 Revenue Impact:	\$100,000	Less than \$100,000

**DESCRIPTION:** Oregon residents who are serving in the Oregon National Guard, military reserve forces, or organized militia of any other state may apply for an Oregon property tax exemption on their homestead up to a specified amount of assessed value if:

- The resident serves on active duty under Title 10 of the United States Code or is deployed under the Emergency Management Assistance Compact for at least one day of the tax year (July 1 through June 30) claimed.
- The resident serves at least 178 consecutive days on active duty, regardless of the location of service.
- Application is made to the county assessor by August 1 following the end of the tax year for which the exemption is claimed.

Any taxes paid by the taxpayer on the exempt value are refunded.

In tax year 2016–17, the maximum exemption is \$83,055. The allowable amount of exemption increases by three percent each fiscal year year.

If the qualified service member dies while performing the service, the person occupying the service member’s home may file for the exemption.

The usual tour of duty for military call-up is 15–24 months, so most taxpayers who qualify will be able to claim the exemption for two or three consecutive years.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to assist Oregon households where a member has been called away from home to active military service during the year.

**WHO BENEFITS:** Members of the Oregon National Guard, Armed Forces Reserves, or organized militia who are homeowners and who spend extended periods on federal active duty service during the tax year. Members of their households may also benefit from this expenditure. In 2015-16, there were approximately 460 exemptions.

**EVALUATION:** *by the Military Department*

This tax expenditure alleviates property tax burdens for members of the Oregon National Guard and Reserve members of the United States Armed Forces who are deployed on federal active duty for 178 days or more. The direct recipients are the service members and their families, who often are impacted financially and emotionally during long deployments. It serves as valuable acknowledgement of the sacrifices service members and their families make in honored service to the nation.

The amount of loss identified assumes that the properties should have been assessed by other methods. Rather, OHCS believes that the more accurate evaluation may be the net income approach.

## 2.125 NONPROFIT HOUSING FOR THE ELDERLY

**Oregon Statute:** 308.490

**Sunset Date:** None

**Year Enacted:** 1969

2015–16 Estimated Assessed Value of Property Exempted: Minimal

	Loss	Shift
2015-17 Revenue Impact:	Less than \$100,000	Less than \$100,000
2017-19 Revenue Impact:	Less than \$100,000	Less than \$100,000

**DESCRIPTION:** The assessed value of a home for the elderly operated by a nonprofit corporation may only be calculated using certain appraisal methods. These methods shall not take into account considerations of replacement cost, but rather consider:

- The amount of money for which the property may be exchanged in a reasonable period of time under conditions in which both parties to the exchange are able, willing and reasonably well informed
- The gross income that reasonably could be expected from the property if leased or rented to the public generally, less annual operating expenses, reserves for replacements and insurance, depreciation and taxes
- The relative supply and demand for similar properties
- The relative value of the location of the property.

Use of these considerations rather than replacement cost generally results in lower assessed values and taxes on these properties.

The nonprofit corporation must be organized and operated to provide permanent residential, recreational, and social facilities primarily for the elderly and receive 95 percent of its gross operating revenue from payments for housing, medical, and recreation services received in its facilities.

**PURPOSE:** The statutory policy is to recognize “... benefits inherent in operation of these homes, especially in the housing and care furnished to elderly persons for whom this state and its political subdivisions otherwise might be responsible” (ORS 308.490(1))

**WHO BENEFITS:** Nonprofit organizations that own elderly residence facilities receive the direct benefit from this expenditure. Qualifying facilities may serve a wide range of tenants, and these tenants may have any income level because there is no tenant income requirement.

**EVALUATION:** Not evaluated.