



SB 936A Strategic Investment Program (SIP) update

Testimony for Senate Finance and Revenue – Jody Wisner – 5.3.2017

There is no doubt that the SIP is a generous program, and this bill does attempt to address that. However, the mechanisms chosen include a big change in direction and an uneven tax base.

First off, SB 936 removes the investment distinction between rural and urban SIP programs, no longer inducing smaller projects to locate in rural areas. Currently, to be eligible for this generous tax break requires a \$100 million investment in an urban area, while a rural area can offer the benefit with 25% of that investment. **The proposed change to \$25 million in any part of the state would weaken the original program design rather than strengthening it.** It might well make virtually every data center eligible for 15 years of property tax abatement and discourage rural investments. We oppose this change. The urban parts of Oregon are booming, without adding a new 15-year property tax abatement program in urban areas for so little as \$25 million of investment.

Second, the bill proposes an awkward and uneven change to the portion of the property that will be taxed. It creates a roughly-stepped formula for assessing taxed value. For example, at step (C) – at line 17 of page one of the bill – the taxable portion of a facility would be the same \$150 million – whether a facility cost \$1 billion or \$2.5 billion. Thus, a \$1 billion asset would pay tax on 15% of value while a \$2.5 billion asset would pay tax on 6% of value. That is clearly not rational or fair. **An alternate idea would be a tax based on 10% of project cost at any investment level.**

The bill continues the community service fee idea, providing \$2.5 m from any project for the local community as a smile at the fact that so much value is not being taxed. We support the idea of an increase in the community service fee, the original \$2 m was not indexed for inflation, and has stayed at \$2 m since 1993. **However, \$2 m increased by the CPI for inflation would now be \$3.4 m.**

But isn't this the place to insist that the state receive an equal amount – a state service fee – in honor of the fact that 40% of the abatement is taking k-12 revenue?

The Strategic Investment Program is listed in the Tax Expenditure Report as an abatement costing \$447 million this coming biennium. It has no sunset. Perhaps this bill is a good step in the right direction, perhaps not.

It's time for a sunset and full review.