

SB 173 STAFF MEASURE SUMMARY

Senate Committee On Business and Transportation

Action Date: 03/08/17

Action: Do pass and refer to Tax Credits by prior reference.

Vote: 4-1-0-0

Yeas: 4 - Beyer, Girod, Riley, Thomsen

Nays: 1 - Monroe

Fiscal: No fiscal impact

Revenue: Revenue impact issued

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WHAT THE MEASURE DOES:

Extends the sunset for the long-term rural enterprise zones tax credit until June 30, 2024.

ISSUES DISCUSSED:

- Difference between long-term rural enterprise zones and regular rural enterprise zones
- Few participants in program
- Whether facilities receiving tax credit would have been built without it
- Impact of revenue not collected on public education
- Lack of disclosure of information regarding participants

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

The long-term rural enterprise zone offers a property tax abatement of 7-15 years; they are special designations within existing rural enterprise zones, of which there are 54 throughout Oregon. Like other enterprise zones, they exempt businesses from local property taxes on new investments for a specified amount of time. A zone is typically sponsored by a city, port, county or tribal government, and the local government is responsible for its creation, management and renewal.

The long-term rural enterprise zone imposes additional criteria beyond those of regular rural enterprise zones, meaning that only 35 of the state's 54 rural enterprise zones are eligible. To qualify, a project must have a total investment cost greater than one percent of a county's total real market value (0.5 percent if located more than 10 miles from Interstate 5); must hire a minimum number of new employees within a specified time after commencing operation (both variables are dependent upon location); and have an average annual employee compensation at the facility at least 150 percent of the county average. Once designated, the recipient is not subject to local property taxes until the facility commences operation; 7-15 consecutive years of full property tax exemption once permitted for use and occupancy; and (subject to Governor approval) a credit equal to 62.5 percent of gross payroll against state corporate excise taxes.