

SB 936 B STAFF MEASURE SUMMARY**Carrier:** Rep. Smith G**House Committee On Revenue****Action Date:** 06/01/17**Action:** Do Pass the B-Eng bill.**Vote:** 8-0-1-0**Yeas:** 8 - Barnhart, Bentz, Hernandez, Johnson, Marsh, Nosse, Smith G, Smith Warner**Exc:** 1 - Buehler**Fiscal:** Fiscal impact issued**Revenue:** Revenue impact issued**Prepared By:** Kyle Easton, Economist**WHAT THE MEASURE DOES:**

Increases taxable portion of projects located in rural areas eligible for property tax exemption under Strategic Investment Program. Determines taxable value of rural eligible project property based upon total cost of the project. Increase in taxable portion is applicable to projects first determined as eligible projects on or after effective date of measure.

Total Cost | Taxable Real Market Value

<= \$500m \$25m

\$500m--\$1b \$50m

\$1b+ \$100m

Increases cap on community services support fee to \$2.5 million in any year for both urban and rural projects not located within strategic investment zones. Changes to community services support fee limit apply to projects first determined by the Oregon Business Development Commission to be eligible projects on or after effective date of measure. Measure takes effect on 91st day following adjournment sine die.

ISSUES DISCUSSED:

- Strategic investment program (SIP) exemption is a permissive exemption that requires a request from a county governing body
- Exemption time-period is fifteen years and is required in statute
- Expectation of property and business following the fifteen year partial exemption period
- Concern of a "race to the bottom"
- Job creation requirement does not exist in statute but could be part of locally negotiated requirements
- Types of businesses that benefit from rural SIP are primarily wind farms.

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

The Strategic Investment Program offers a 15-year property tax exemption on a portion of large capital investments that serve a traded sector industry, which is defined in ORS 285A.010 as "traded sector means industries in which member firms sell their goods or services into markets for which national or international competition exists". The program is administered by the Oregon Business Development Department (OBDD) in conjunction with the Oregon Business Development Commission. To qualify, the cost of the project must exceed the taxable portion which is \$25 million in rural areas and \$100 million in urban areas. Amount of exempt property is determined by subtracting from the real market value of the qualified project, the relevant taxable portion (\$25 or \$100 million) of the project. The assessed value of the taxable portion of project increases by three percent each year during the exemption period.

This Summary has not been adopted or officially endorsed by action of the committee.

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Two Options for Project Approval

Case-by-Case

For a project to receive property tax exemption, the governing body of the county in which the project will reside must, by official action and majority vote, request the exemption for the project and enter into an agreement with the business firm (if project will be located within a city, then city is also required to enter into agreement). Included in the agreement is a requirement that the business firm will pay community services support fee in an amount equal to 25 percent of the property taxes that would otherwise be due on the exempt property in each assessment year. Fee is capped at \$2 million (urban) or \$500,000 (rural). Agreement may also include any other requirements related to the project.

Strategic Investment Zone

A county (and city) may request the Business Oregon Commission to designate a Strategic Investment Zone (SIZ) in which eligible projects are then subject to standardized local requirements and a more streamlined local approval process. There are currently (as of February 2016) three SIZ in Oregon; two in Clackamas County (one rural and one non-rural) and one inside the City of Gresham.