REVENUE IMPACT OF PROPOSED LEGISLATION

79th Oregon Legislative Assembly
2017 Regular Session
Legislative Revenue Office

Bill Number: HB 2904 - A
Revenue Area: Property / Income Taxes
Economist: Kyle Easton
Date: 6/30/2017

Only Impacts on Original or Engrossed Versions are Considered Official

---

Measure Description:

Expands location qualification criteria for determining locations where a business firm may qualify for a rural long term enterprise zone tax incentive to include qualified rural counties as defined in measure. Defines "qualified rural county" as county that is outside all metropolitan statistical areas as defined by most recent federal decennial census and in which, on most recently certified property assessment roll, the total property taxes imposed by all taxing districts within county are equal to or greater than 1.3% of the total assessed value of all taxable property located in county.

Revenue Impact: Indeterminate, see explanation

Impact Explanation:

Property Taxes

Changes to statute provided in measure as engrossed create additional criteria through which a county may become eligible as a location where a business firm may qualify for a long term rural enterprise zone (LTREZ) tax incentive. Twenty-three Oregon counties are outside of all MSAs, seventeen of which meet existing qualification requirements to be a LTREZ location. Four counties not meeting current law LTREZ requirements that are outside of all MSAs imposed property taxes in amounts less than 1.3% of total assessed value and, as such, do not become eligible locations. The remaining two counties, Wasco and Morrow, have been eligible LTREZ locations that, without statutory modification to location qualifications contained in measure, will become locations no longer eligible for LTREZ incentives. Near term impact of measure as engrossed is maintaining Morrow and Wasco counties as eligible LTREZ locations. Three other counties, Lincoln, Sherman and Union may potentially benefit as well as all three counties have experienced improvements in their relative economic conditions which, if continued, may lead to those counties becoming ineligible locations for LTREZ tax incentives.

Use of LTREZ tax incentives is relatively infrequent. Referencing most recent LTREZ assessor reports, ten projects are benefitting with two companies accounting for about two-thirds of the overall computed tax benefit associated with LTREZ exemptions. Computed tax benefit associated with projects in Morrow and Wasco Counties represent about 50% of all benefits computed in FY 2015-16, or $16.7 of the total $33.9 million property tax benefit. Location eligibility does not change exemption qualification for existing projects. Because impact upon revenues is dependent upon such a small number of projects, measure's impact upon property tax revenues is indeterminate.

Income Taxes

Corporations that own a facility that is exempt from property taxes through the LTREZ program may claim an income tax credit equal to 62.5 percent of the payroll costs of the taxpayer for that tax year that are attributable to employment at the facility. Credit requires Governor's approval. As measure expands locations that may qualify for property tax exemption under LTREZ program, measure expands potential eligibility for the income tax credit. As impact upon revenues is dependent upon such a small number of projects and credit requires Governor’s approval, impact upon income taxes is indeterminate. Income tax credit is subject to local certification sunset as of June 30th, 2018.

Creates, Extends, or Expands Tax Expenditure: Yes ☒ No ☐

The policy purpose of this measure is to provide additional criteria under which counties may qualify as a county in which long term rural enterprise zone facility tax incentives are available.

The underlying policy purpose of enterprise zone tax incentives is expressed in ORS 285C.055.

State Capitol Building
900 Court St NE
Salem, Oregon 97301-1347

Phone (503) 986-1266
Fax (503) 986-1770
https://www.oregonlegislature.gov/lro