

HB 4027 -3, -7, -11 STAFF MEASURE SUMMARY

House Committee On Revenue

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Meeting Dates: 2/5, 2/12, 2/15, 2/19, 2/20

WHAT THE MEASURE DOES:

Addresses tax exemptions related to solar projects and repeals statutes related to property tax exemption on symmetrical gigabit communication services.

Solar: Clarifies language of solar property exemption, remains permissive on the part of the local government.

Provides latitude to local government to set fee in lieu payment that accounts for value of solar facility including or excluding storage.

gigabit: Repeals 2015 Oregon law which provided a property tax exemption for intangible value related to symmetrical gigabit investment. Allows that a Company with a gigabit project qualified by the Oregon Public Utility Commission on or before March 1, 2016 may receive a property tax exemption as it would have under SB 611. Repeals the gigabit exemption in 2021.

Housing: extends sunset of low income housing property tax exemption by 6 months to conform with tax year.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

-3 Extends the sunset of property tax exemption for low income rental housing by six months to July 1, 2020. Clarifies that the property tax exemption, including duration, on which the exemption was granted.

-7 Gigabit: Revenue gain: Under the current environment, the Oregon Department of Revenue has denied the gigabit property tax exemption under SB 611 to the only two companies that applied. We assume HB 4027-7 would give these two companies the gigabit exemption for the 2018-2019 and then repeal ORS 308.673, 308.677 and 308.681 eliminating the tax exemption for all future years. The revenue gains in all future biennia should be read to mean that under 4027-7 the counties will not grant an exemption that they would have been under current law. This Revenue Impact Statement is under the assumption that at some point (we assume 2018-2019), the Department of Revenue would approve the tax exemption for the two companies that applied to the PUC. This assumption follows from the assumption that the companies might have met the criteria of law by then. The revenue impact would be different if one assumes that current law does not likely result in a tax exemption for the companies. Since the tax exemption is based on the property tax rate on the Oregon apportionment of the intangible value of multistate companies, this value could increase or decrease with the value of the company over time.

-11 Solar: The bill continues the current permissive policy on the part of counties to adopt a contract with a fee in lieu payment for solar property. The effect of this policy is to provide clarifying language around what constitutes a solar facility and allow the counties to negotiate the fee in lieu payment to account for the value of storage, if the local governments choose to accept it in the contract. Because the policy remains permissive the expected revenue impact is minimal.

BACKGROUND:

Solar Projects: 2105 HB 3492 passed by the Legislative Assembly provided that the developers of solar projects and the counties in which they are located may form an agreement which exempts the property from property taxes. A

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portion of the solar project may be located within the boundaries of an incorporated city, however in that case, the governing body of the city must also be a party to the agreement. An in lieu of tax payment is required as part of the agreement.

Gigabit: 2015 SB 611 passed by the Legislative Assembly, provided for property tax exemptions on a company that invested infrastructure offering gigabit symmetrical service. A company that is designated to be centrally assessed by ORS 308.515(1) may receive an exemption if the company builds, maintains and operates a qualified project in Oregon. The company seeking qualified status must submit an application to the Public Utility Commission. The expenditure exempts value above the greater of \$250 million or the real market value of the company's real and tangible personal property.