

# BUSINESS INCENTIVES: Tax Abatements

Companies are growing in Oregon, which offers tax savings and other incentives to suit the aspirations of most any business.

## STANDARD ENTERPRISE ZONE EXEMPTION

Hundreds of diverse companies throughout the state have enjoyed this program's immediate cash savings on new investments in an enterprise zone:

- Manufacturing, processing, storage, distribution, service centers, and corporate headquarters are all eligible, pursuant to a local authorization application before hiring or any construction or installation begins.
- New buildings, additions, and equipment installed on site receive 100% property tax abatement if zone employment rises by the greater of one job or 10%.
- Exemption is for a minimum of three years after the year in which the qualified property is placed in service.
- The local zone sponsor may extend the period of tax abatement up to five consecutive years, in total, by entering into an agreement which may have additional conditions, and, except in Salem or Portland-area urban zones, if average wages and compensation of new employees meet certain criteria relative to county average wages.

## STRATEGIC INVESTMENT PROGRAM (SIP)

Instrumental in facilitating exceptionally large capital projects:

- SIP exempts project property in excess of (initially) \$100 million for 15 years. In rural areas, this taxable portion drops to \$50 million for projects costing \$1 billion or less, and to \$25 million, if total costs are not more than \$0.5 billion.
- By statute, the company pays a community service fee equal to 25% of the abated taxes, up to a yearly maximum of \$2.5 million (outside SIZ).
- An eligible project needs to directly benefit a traded sector industry, defined by law as one, "in which member firms sell their goods or services into markets for which national or international competition exists."
- The exemption is available anywhere in Oregon, either through a public hearing and project-specific agreement, or in a pre-established Strategic Investment Zone (SIZ), both of which can entail additional local requirements.

## CONSTRUCTION-IN-PROGRESS

Though frequently coupled with other programs, this exemption can be used on its own:

- New property of non-utility facility is exempt while under construction and not operational on January 1 (with April 1 filings) for up to two successive years.
- It is generally valid for manufacturing anywhere in Oregon, including heavy machinery & equipment still being installed at the unoccupied facility on January 1.
- The standard enterprise zone version of this construction-period exemption can fully cover all qualified property that is still not in service in the case of any locally authorized project (except hotel/resorts).

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## BUSINESS EXPANSION PROGRAM

The state may award forgivable loans equivalent to the estimated increase in personal income tax revenue over two years that results from new, high-wage hires:

- Company needs to propose hiring 50 new employees in Oregon and already employ at least 150 overall.
- Annual pay for each of the 50 new employees must equal or exceed 130% (rural) or 150% (urban) of the state or county average wage, whichever is less.
- Available only for businesses in traded-sector industries, which can include corporate headquarters, but not retail.
- Business Oregon administers program awards based on a performance agreement, that requires (among other things):
  - Funds are repaid proportional with the company's falling short of job or pay targets over at least two years;
  - Hiring results in additional payroll in Oregon that is not, for example, offset by layoffs elsewhere; and
  - Company commits to consult with Oregon vendors before contracting to purchase goods or services.

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Qorvo  
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## LONG-TERM RURAL ENTERPRISE ZONE FACILITY INCENTIVES

Available in most rural enterprise zones, this has proven to be a critical tool in attracting very special projects to these communities:

- New facility property receives full relief from taxes, subject to local approval and agreement with the zone sponsor.
- The abatement covers the entire construction period and then 7 to 15 years after the facility is operational.
- Mandatory minimums that vary by location are for:
  - Amount of total investment costs by the end of the first year of operations, and
  - Number of new, full-time employees at the facility that the certified business firm hires within three or five years after operations have commenced and then maintains throughout the tax abatement period.
- Annual employee compensation at the facility (inclusive of financial/fringe benefits) needs to stay at or above 130% or 150% of county average wage, as first achieved by the fifth full year of operations, subject to location and timing of zone sponsor agreement, and for the remainder of the abatement period, the average wages of facility employees must also be at least 100% of the county's current average annual wage.
- ~~In addition, if locally certified before July 1, 2018, the Governor may approve special tax credits equal to 62.5% of gross payroll to be claimed over 5 to 15 years against state corporate excise/income tax liabilities relating to the facility, over and above a minimum annual tax payment, which might be as high as \$1 million. Unused credits are deferrable for up to five additional years.~~

Other State Income Tax Credits—  
See [www.oregon.gov/DOR/programs/businesses/Pages/corp-requirements.aspx](http://www.oregon.gov/DOR/programs/businesses/Pages/corp-requirements.aspx)  
for more specialized credits.

## ELECTRONIC COMMERCE ENTERPRISE ZONES

Up to 15 enterprise zones provide enhanced benefits for electronic commerce and related activities:

- ~~Businesses in these zones can claim a state income tax credit of up to \$2 million per year.~~
- ~~The credit equals 25% of the investment in capital assets for use in electronic commerce operations, for which investment costs are incurred before the end of the company's 2017 income tax year.~~
- ~~Credits are claimed directly on the Oregon tax return, and unused credits are deferrable for up to five additional years.~~
- The business needs to also qualify for the standard exemption on any associated property, which includes additional, lower-cost items of personal property equipment.

## OREGON INVESTMENT ADVANTAGE

This program aids businesses in starting or locating new types of facility operations in a number of Oregon counties:

- It does this through a unique income tax subtraction, potentially eliminating the state tax liability for the facility or even for most of the business firm, over as many as 10 consecutive income tax years.
- Facility site needs to be industrially zoned or within the urban growth boundary of a city with less than 15,000 population, as well as in one of many Oregon counties that are eligible when the project is proposed through the submission of an application for preliminary certification before new hiring or facility improvements commence.
- Qualification requires the creation of at least five new full-time, year-round jobs – who receive minimum annual compensation (with benefits) that is at least 100%, 130% or 150% of the county per capita income as set at the time of the preliminary certification application, and whose average wage equals or exceeds the current county average wage each year.
- Facility operations at the facility need to be the first of their kind in Oregon for that company, but existing Oregon businesses with new ventures have been major program users.
- Certification both preliminarily (proposed project) and for each tax year is through Business Oregon.