

HB 2053 -2 STAFF MEASURE SUMMARY

House Committee On Economic Development

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Sub-Referral To: House Committee On Revenue

Meeting Dates: 2/6, 3/27

WHAT THE MEASURE DOES:

Modifies employment and employee compensation provisions for the Oregon Business Retention and Expansion Program, Enterprise Zones, Long Term Tax Incentives for Rural Enterprise Zones, Business Development Income Tax Exemption (Oregon Investment Advantage), and Oregon Industrial Site Readiness Program. Sets limit for business firm's income that is exempt from corporate excise tax under the Oregon Investment Advantage program. Updates economic development statutes. Takes effect 91st day following adjournment sine die.

FISCAL: No fiscal impact

REVENUE: Revenue impact issued

ISSUES DISCUSSED:

- Compensation and average wages
- Program thresholds
- Compliance and consistency

EFFECT OF AMENDMENT:

-2 Changes average wage definition to clarify roles of Oregon Business Development Department and Employment Department. Connects general economic development definitions to the Oregon Business Retention and Expansion Program and Oregon Industrial Site Readiness Program statutes. Removes redundant references for certain definitions.

BACKGROUND:

The Oregon Business Expansion Program, administered by Business Oregon, offers forgivable loans for existing companies expanding operations in Oregon or new companies coming into the state. The cash amount is equivalent to the estimated increase in income tax revenue from new hiring. Companies are eligible if they plan to hire 50 or more full-time-equivalent employees in Oregon and already have at least 150 employees. Annual pay for new employees must equal or exceed 150 percent of the state or county average wage, whichever is less, or 130 percent of the state or county average wage, whichever is less, if hired to work in a county outside any federally designated metropolitan statistical area.

Enterprise zones aim to help attract private business investment and help resident businesses to reinvest and grow in communities facing economic challenges. Under the standard enterprise zone program, an eligible business receives a three-year total exemption from the property taxes normally assessed on new buildings, structures, and equipment if it locates or expands within an enterprise zone and meets certain employment requirements. Tax abatement may be extended to four or five years if the project has a written local zone sponsor agreement and meets certain new employee compensation and wage requirements.

The Long-term Rural Enterprise Zone Facilities program is available in most rural enterprise zones under certain circumstances. The program offers property tax abatement during the entire construction period and then for seven to 15 years after the facility is operational. Any type of business activity is eligible with local approval and for minimum levels of investment size, job creation, and employee compensation.

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The Oregon Investment Advantage program helps businesses start or locate new operations. Companies setting up operations in an eligible county can be certified as many as 10 consecutive times to annually deduct or subtract taxable income related to those operations, potentially eliminating any state business income tax liability for that period. Requirements of the certified facility include, but are not limited to creation of at least five new full-time, year-round jobs that each have a minimum level of compensation and receive wages averaging 100 percent or more of the current county wage.

The Regionally Significant Industrial Sites (RSIS) program is a profit-sharing economic development tool that returns half of the income tax revenue attributable to a business locating on certain industrial sites back to the local government sponsors to reimburse the cost of developing site infrastructure. The income tax revenue disbursements to the local government sponsor begin annually the year after a project's employment thresholds are reached. RSIS was updated in 2017 and employment thresholds were changed to a minimum of 25 employees for rural sites, and a minimum of 50 employees for urban sites, whose wages average 150 percent of the county or state average wage, whichever is less.

House Bill 2053 modifies the employment and employee compensation provisions for these programs and updates other economic development statutes. The measure also limits a business firm's income that is exempt from corporate excise tax under the Oregon Investment Advantage program to \$10 million.