

HB 2053 A STAFF MEASURE SUMMARY

House Committee On Revenue

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Meeting Dates: 5/7, 5/30

WHAT THE MEASURE DOES:

Adds to and/or clarifies statute definitions of average wage, compensation, association, community, local government, and state agency as they relate to Business Oregon programs including the Oregon Business Retention and Expansion Program (BEP), Enterprise Zones (EZs), Long Term Rural Enterprise Zones, Business Development Income Tax Exemption (Oregon Investment Advantage (OIA)), and Oregon Industrial Site Readiness (RSIS) Program. Changes statute related to the BEP to count rural employees twice toward hiring requirements. Changes compensation requirements for all programs. Makes technical changes to statute. Takes effect on the 91st day following adjournment sine die.

ISSUES DISCUSSED:

- Function of each program
- Interconnectedness of programs
- Policy change from a compensation requirement to a wage requirement
- Deployment of programs in economically diverse areas, such as urban and rural designations

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

HB 2053 A makes modifications to four economic development programs administered by Business Oregon. These programs are summarized individually below.

The Oregon Business Expansion Program (BEP) offers cash-based forgivable loans to businesses expanding existing operations or creating new operations within the state. The amount of the cash-based incentive is equivalent to the estimated increase in income tax revenue resulting from new jobs due to each businesses' expansion. To be eligible for this program companies must plan to hire 50 or more full-time equivalent employees in Oregon and have at least 150 employees overall currently. Additionally, the annual pay for each of the new employees must be 150% of the state or county median wage for businesses located within metropolitan statistical areas (MSAs). If a business is hiring new employees to work at a facility outside of a MSA then the wage requirement is 130% of state or county median wage. Finally, the program requires that the company be involved in the sale of traded sector goods or services and specifically excludes retailers from participating.

The Oregon Investment Advantage (OIA) program provides a corporate excise tax exemption, for up to 10 years, available to businesses that build and operate a qualified facility in a qualified location. To qualify, facilities must plan to operate a minimum of 10 years, hire at least five full-time employees, and compensate employees, on average, 100% or more of the current county wage.

Enterprise Zones (EZs) aim to help attract private business investment and help resident businesses to reinvest and grow in communities facing economic challenges by providing exemptions for local property taxes. Under the standard EZ program, an eligible business receives a three-year property tax exemption if the business locates or expands operations within an EZ and meets certain employment requirements. In addition to these benefits, most EZs in rural designations are part of the Long-term Rural Enterprise Zone program, which extends the property tax abatement for as many as 15 years for any type of business activity pending local approval and

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requirements related to investment size, job creation, and employee compensation, depending on the location.

The Regionally Significant Industrial Sites (RSIS) program provides state income tax reimbursements to local governments that make industrial sites ready for development. The program requires average employee compensation equal to 150% of the county or state wage, whichever is less, and requires hiring of at least 25 employees for rural sites and 50 employees for urban sites.

House Bill 2053 A modifies the employment and employee compensation provisions for these programs and makes technical changes to statute regarding the administration of these programs.