Marion County
OREGON

Board of Commissioners

May 2, 2019

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BOARD OF COMMISSIONERS

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Representative Nancy Nathanson, Chair
House Committee on Revenue
State Capitol Building
Salem, OR 97301

RE: Support Amendments to HB 2053 to Help Implement the Rural Investment Property Tax Exemption Statute

Dear Chair Nathanson:

Marion County participated in the development of SB 1565 (2016) that created a rural industrial tax exemption and also supported some corrective text amendments in HB 4028 (2018). The county enacted its implementing ordinance in 2018.

We recently received and approved two applications by resolution. Both applications were from long-standing Marion County businesses that support our agriculture industry. One is a metal fabrication business planning a $4 million equipment purchase. The other is a new 75,000 square foot building for a hops processing business.

We consider the rural tax exemption as a valuable rural development tool that helps a business defer taxes until a new investment starts producing new revenues. It creates benefits that are similar to an enterprise zone except for being site and project specific. The program favors business operations with long-standing ties to the community because each applicant is responsible for gathering approval from taxing districts constituting 75% of the assessment against the subject property. In rural Marion County that typically requires the county, the school district, and the fire district to support the application.

In reviewing an application from a third long-standing agri-business in Marion County, we encountered two statutory provisions that make the program unusable in common situations, and which run counter to our goal of encouraging investments in agriculture innovation.

First, the definition of "Employment of the applicant" appears to require employment gains based on a percentage increase of the applicants total employment statewide, not just the site where the investment is targeted. For an applicant with several service sites across Marion County and a large mobile workforce, this creates a statistical barrier that we believe is an unintended drafting error. No one investment can accommodate a large percentage increase of the total workforce.

Second, agriculture is facing many difficulties, including finding workers. Our goal is to support innovation investment that increases productivity not merely increase head-count in a tight employment market.

The property tax exemption or deferral is available only for newly constructed or installed industrial improvements first placed in service after the ordinance or resolution is adopted. The program allows the governing body to have discretion to specify the minimum initial investment value of eligible improvements between $1 and $25 million and the period of years between three-to-five during which the exemption is allowed.

Marion County has an applicant wanting to build a $2 million building and add four employees; however, because the applicant has more than 120 employees at other various locations, it won't meet the test. This is different than the way an enterprise zone exemption works which looks only within the zone for the employment increase test. Putting a rural property tax exemption at a disadvantage was never the intent of the legislature.

Additionally, the language in SB 1565 requires that "no later than the date on which the application is submitted, the employment of the applicant may not be less than the greater of: 110% of the annual average employment of the applicant; or the annual employment of the applicant plus one employee." This is clearly not practical as the employment increase will not be achieved until the construction or improvements have been completed.

Because these technical flaws came to light just last month, it was too late to introduce separate legislation so our recommendation is to amend HB 2053.

Amend Section 5 of SB 1565 (2016) with the changes below and add as a new section in HB 2053.

(b) "Employment of the applicant" means the number of employees working for the applicant a majority of their time in eligible operations [*at locations in this state*] **at an eligible location for which an application has been submitted under section 2.**

(4) [*No later than the date on which the application is submitted*] **As of a date certain to be agreed upon by the applicant and the city or county, as applicable, but no later than the end of the first tax year for which the exemption is granted,** the employment of the applicant may not be less than the greater of:
(a) [*110 percent of the annual average employment of the applicant*] **A percentage of the annual average employment of the applicant to be agreed upon by the applicant and the city or county, as applicable**; or
(b) The annual average employment of the applicant plus one employee.

Please support these changes to HB 2053 to help make this rural investment property tax exemption program a reality.

Sincerely,

Kevin Cameron, Chair

Samuel A. Brentano, Vice Chair

Colm Willis, Commissioner