

Overview: Enterprise Zones

Arthur Fish

March 23rd, 2021



Enterprise Zones

- Take many names and forms across the country and the world
- Target public resources or inducements for private investors and commerce in particular place, typically one with economic needs or potential
- Oregon's launched in 1985 ... expire in 2025:
 - Very much a function of state laws with deep local involvement
 - Geared around tax incentive for new assets and hiring
 - Rural and urban features and distinctions

The zones in Oregon

- 74 designations in total at present, ranging from < 1 to 15 square miles, usually comprising various separate areas
- Sponsored, designated and delineated (per statutes/agency determination for hardship measure, etc.) by zone sponsor:
 - Cities – 124
 - Ports – 12
 - Counties – 30, with zones located in 35 of 36
 - Tribes – 2

Property Tax Abatement

- Oregon has a few other incentives and so forth but not tax credits—enterprise zones often regarded as our only tool
- Inherently favors physical capital, in that new plant and equipment is fully tax-exempt for a certain number of years
- ... beginning after local application and then completion of investment and new hiring, as part of annual property assessment cycle:
 - Decentralized, diverse administration through county assessors and local sponsor/organizations
 - Program development, technical assistance & communication, data collection & management, and other functions by state agencies

Standard Exemption

- Many eligible types of businesses but retail and other activities excluded
- With procedural steps and 10% growth in firm's full-time employees (or local waiver), 3-year period is as-of-right ..., up to 5 years with written agreement
- Employee compensation and local additional requirements in some cases
- Very busy statewide – from last year's claim filings and assessor reporting:
 - 362 projects (308 companies)—nearly 40,000 employees, 19,000 new
 - Great majority small or medium-sized; about two-thirds already in zone
 - Billions in investment (\$5.4 of exempt value affecting \$84m in 2019–20 taxes) reflecting local–state effort over the years

Long-term Rural Enterprise Zone Facilities

- 7–15-year abatement, pursuant to local agreement between firm and sponsor
- Available currently in 40 of 57 rural zones in counties meeting statutory criteria
- Depending on location, facility needs:
 - At least 10, 35, 50 or 75 full-time hires
 - To have average compensation of 130% or 150% of county wage
 - Minimum investment, normally > \$12.5 million (so not necessarily huge)
- 14 currently exempt facilities (7 firms) with \$5.8bn of property in 2020–21, affecting \$94m of taxes, and more than 700 new jobs in 5 counties

business
oregon®