

## HB 2343 -1 STAFF MEASURE SUMMARY

### House Committee On Business and Labor

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**Meeting Dates:** 2/8, 4/5, 4/7

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#### WHAT THE MEASURE DOES:

Authorizes governing body of enterprise zone sponsor to adopt a resolution to suspend employment requirements imposed on businesses seeking property tax exemption if statewide employment declines. Establishes 30-day window following effective date of the Act for governing body of every sponsor in the enterprise zone to adopt such resolution. Allows resolution to retroactively suspend employment requirements, beginning not more than 35 days before the effective date. Tolls the deadline for claiming exemption for additional property while employment requirements are suspended.

Authorizes governing body of enterprise zone sponsor to adopt a resolution allowing tax exemption to qualified property of authorized business that would not otherwise meet certain requirement as a result of public health crisis. Provides that procedures, standards, and criteria for tax exemption contained in resolution do not apply to exemptions for which the final property tax year ends before July 1, 2021. Allows such resolution to be adopted within one year of effective date of the Act or within \_\_\_days following the end the declared state of emergency, whichever occurs first.

Takes effect 91st day following adjournment sine die.

#### ISSUES DISCUSSED:

- Long-term community benefits of enterprise zone short-term tax abatements program
- Impact of COVID on employment levels necessary to qualify for tax abatements
- Providing governments two ways to temporarily assist qualified businesses in enterprise zones
- Why employment requirements should be suspended when statewide, local, and individual conditions are not met
- Temporary nature of the provisions

#### EFFECT OF AMENDMENT:

-1 Adopted April 5.

Regarding authorizations to suspend employment requirements:

- Authorizes governing body of zone sponsor to adopt resolution suspending employment requirements even if statewide employment has not declined.
- Extends window to adopt resolution to 45 days following effective date.
- Deletes authorization to allow suspension to apply retroactively.
- Clarifies suspension applies to either or both property tax years beginning July 1, 2021, and July 1, 2022.
- Provides that resolution for suspension has the effect of converting a denial of property tax exemption that would otherwise have begun on July 1, 2021, into a one-year suspension.
- Provides any curtailment of operations allowed by a resolution for suspension does not trigger requirement for business to notify county assessor and sponsor.

Regarding authorizations to grant property tax exemption when employment requirements are not met:

- Extends window to adopt resolution to later date of June 30 preceding property tax year or 45 days following effective date.
- Clarifies resolution may grant exemption for property tax years beginning on or after July 1, 2021, and before July 1, 2023.

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- Provides any curtailment of operations allowed by a resolution for suspension does not trigger requirement for business to notify county assessor and sponsor.

Allows sponsor to refund property taxes collected for property tax year that began July 1, 2020, from business that curtailed operations but is now subject to adopted resolution.

Repeals authorizations for either resolution one year following end of declared state of emergency issued March 8, 2020, and any extensions of declaration.

### **BACKGROUND:**

Enterprise zones are sponsored and administered by a city, county, tribe, port, or any combination of such governments. State statutes specify the economic hardship criteria that must be demonstrated for zone designation. A zone must have 50 percent or more households with incomes below 80 percent of the state median, an unemployment rate that is two or more percentage points higher than the state unemployment rate, or similar severe economic hardship. 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. To qualify for the property tax exemption, a business needs to:

- increase full-time, permanent employment in the zone by the greater of one new job or 10 percent;
- maintain this employment level during the exemption period;
- have no concurrent job losses elsewhere in the state;
- enter into a first-source hiring agreement with local job training providers; and
- satisfy any additional local conditions.

The tax abatement may be extended up to two years if the project has a written local zone sponsor agreement and it meets new employee compensation and wage requirements. The business may seek a tax exemption for additional qualified property if the additional property is placed in service within two years of the business being granted a tax exemption for qualified property.

The enterprise zone's sponsor may suspend the employment requirements for up to two years if statewide employment levels drop, county's unemployment rate is at least 2 percentage points greater than the comparable statewide rate, and the business has completed the required level of investment in the qualified property. When the employment requirement is suspended, the business must pay that year's property tax but is not required to pay the property taxes that were abated in the previous years.

The impact of COVID-19 may have hindered a business's ability to meet the employment requirements necessary to receive the property exemption through the enterprise zone program.