

HB 2343 A STAFF MEASURE SUMMARY

House Committee On Business and Labor

Action Date: 04/07/21

Action: Without recommendation as to passage, with amendments, and be referred to Revenue.
(Printed A-Eng.)

Vote: 11-0-0-0

Yeas: 11 - Bonham, Boshart Davis, Breese-Iverson, Bynum, Clem, Evans, Fahey, Grayber, Holvey, Post, Witt

Fiscal: Has minimal fiscal impact

Revenue: Revenue impact issued

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

WHAT THE MEASURE DOES:

Resolution suspending employment requirements: Authorizes governing body of enterprise zone sponsor to adopt a resolution to suspend employment requirements imposed on businesses seeking property tax exemption regardless of statewide and local employment conditions. Establishes 45-day window following effective date of the Act for governing body of enterprise zone sponsor to adopt such resolution. Allows suspension to apply to either or both property tax years beginning July 1 of 2021 and 2022. Tolls the deadline for claiming exemption for additional property while employment requirements are suspended. 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. **Resolution granting tax exemption:** Authorizes governing body of enterprise zone sponsor to adopt a resolution granting tax exemption to qualified property of authorized business that does not meet investment or productivity requirements or, due to public health crisis, employment requirements. Requires resolution be adopted on or before later date of June 30 preceding property tax year or 45 days following effective date. Allows resolution to grant exemption for property tax years beginning on or after July 1, 2021, and before July 1, 2023. **General:** Allows sponsor to refund amounts collected in lieu of taxes from disqualified business for property tax year that began July 1, 2020, if business is 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. Takes effect on 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:

Replaces the measure.

BACKGROUND:

Enterprise zones are sponsored and administered by a city, county, tribe, port, or any combination of such governments. In order to be designated, 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

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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. A business that loses its qualified status must pay taxes that would have been imposed had the exemption not been granted.

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' ability to meet the employment and investment requirements necessary to receive the property exemption through the enterprise zone program.

House Bill 2343 A authorizes governing body of an enterprise zone sponsor to adopt resolutions suspending employment requirements on qualified businesses and granting property tax exemptions for qualified property of authorized business when employment and investment or productivity requirements are not met. The measure establishes timelines for when resolutions can be adopted and for which property tax years the provisions apply.