

SB 133 STAFF MEASURE SUMMARY

Senate Committee On Finance and Revenue

Prepared By: Chris Allanach, Legislative Revenue Officer

Sub-Referral To: Joint Committee On Tax Expenditures

Meeting Dates: 2/6

WHAT THE MEASURE DOES:

Establishes an explicit sunset date of July 1, 2032 for the property tax exemption for property under construction within an enterprise zone. Includes a grandfather clause stating that should this policy sunset on July 1, 2032, exempt property at that time shall remain exempt as per an existing agreement. Takes effect on the 91st day following adjournment sine die.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

This policy is an extension of a ORS 307.330, which grants a general exemption for property under construction. ORS 307.330 was established in 1959 for commercial buildings under construction and grants an exemption for a maximum of two years. New structures and additions are exempt if they meet several conditions, including a requirement that no part of the qualifying property is or has been in commercial service and that the purpose of the property is to produce income. The policy in this bill pertains to property located in an enterprise zone that is not considered exempt under ORS 307.330. According to the 2023-25 Tax Expenditure Report (TER), this policy extends the exemption to certain cases that would not receive an exemption under the primary program. Examples include installed personal property, machinery and equipment installed directly on land (i.e. not otherwise affixed to a structure), nonmanufacturing property built in fewer than 12 months, and property that continues to be under construction after another part of the facility has been placed in service.

For all property under construction (TE 2.011) the 23-25 TER identifies \$1.3 billion of exempt value for tax year 2021-22 with a projected revenue loss of \$44.8 million and a tax shift of \$10.9 million for the 203-25 biennium. For the exemption contained in this bill (TE 2.012), the exempt value and cost figures are not provided separately.