

**SB 135 STAFF MEASURE SUMMARY**

**Senate Committee On Finance and Revenue**

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**Prepared By:** Chris Allanach, Legislative Revenue Officer

**Sub-Referral To:** Joint Committee On Tax Expenditures

**Meeting Dates:** 2/6

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**WHAT THE MEASURE DOES:**

Moves the sunset date for the property tax exemption of business property in a long-term rural enterprise zone from July 1, 2025 to July 1, 2032. Takes effect on the 91st day following adjournment sine die.

**ISSUES DISCUSSED:**

**EFFECT OF AMENDMENT:**

No amendment.

**BACKGROUND:**

Enterprise zones represent a geographical approach to economic development and require approval by a local government. These zone sponsors may be any county, city, or port in Oregon, subject to determination by Business Oregon (Oregon Business Development Department). They are jointly administered by Business Oregon, the county assessors, and zone sponsors. Currently, an eligible facility must be within one of 25 eligible counties. These counties must meet criteria for net out-migration, chronically low per capita income, or high unemployment. It must also be a county that is outside a federal Metropolitan Statistical Area (MSA) with a general countywide property tax rate of at least 1.3 percent.

Qualified property and improvements in a rural enterprise zone may be exempt from the property tax for seven to 15 years, depending on the agreement between the business owners and the zone sponsor. If under construction, the exemption may apply for an unlimited number of years. The applicability of this exemption is broader than under the primary EZ program; any business activity may be eligible. Businesses must meet requirements that include minimum investment costs, new full-time employees, and average wages/compensation.

According to the 23-25 Tax Expenditure Report (TER), \$9.2 billion of value was exempt in 2021-22 and a revenue loss of \$334 million and tax shift of \$37.4 million are projected for the 23-25 biennium.