

# Oregon Enterprise Zones

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ORS 285C.055 (2021) sums up the general purpose for enterprise zone legislation, first enacted by the Oregon Legislature in 1985, as follows:

... [T]he health, safety and welfare of the people of this state are dependent upon the continued encouragement, development, growth and expansion of employment, business, industry and commerce throughout all regions of the state, but especially in those communities at the center of or outside of major metropolitan areas for which geography may act as an economic hindrance. The Legislative Assembly further declares that there are areas in the state that need particular attention of government to help attract private business investment into those areas and to help resident businesses to reinvest and grow and that many local governments wish to have tax incentives and other assistance available to stimulate sound business investments that support and improve the quality of life.

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## Number and Size

Seventy-six enterprise zones are currently designated: 58 being rural, 18, urban. There is no cap on how many zones may be locally designated around the state. The boundary of a zone can be changed and may be noncontiguous, but it may not encompass more than 12 or 15 square miles (above the high-water mark) and must conform to restrictions on distances within the zone. Each zone terminates after 10 years, at which time it can be re-designated.

## How it Works

By locating or expanding in an enterprise zone, eligible (generally nonretail) business firms can receive total abatement from property taxes normally assessed on **new** plant and equipment for at least three years (but up to five years) in the standard program. Longer-term tax incentives are available in many zones. (see next page)

## Role of State Agency

Business Oregon is responsible for determining statutory compliance of zone designations and boundary changes by local governments. In cooperation with the Department of Revenue and other state agencies, Business Oregon also provides administrative guidance, information

materials & training, data & analytical services, and marketing support to local governments and county assessors for implementing business incentive programs.

## Local Designation

Sponsored by local city/port/county or tribal governments, an enterprise zone typically serves as a focal point for local development efforts and incentives to create better economic opportunities. They are currently found inside 35 counties, 142 cities and 22 ports, as well as lands of two Oregon-based Indian Tribes.

## Local Area Economics

For cities, ports and counties seeking to create an enterprise zone anywhere in Oregon, the statutes specify the following two threshold criteria for local-area economic hardship: (1) Household median income is 80 percent or less of state median income, or (2) Unemployment rate is 2.0 percentage points or more above comparable state unemployment rate, based on the most recent annual figures. Business Oregon has defined alternative but equally severe criteria.

**Note:** Oregon also has areas of tax-increment financing (TIF) known as [urban renewal districts](#) (PDF).

# Statutory Tax Incentives in an Oregon Enterprise Zone

## Standard (Three-to-Five-Year) Property Tax Exemption\*

An Oregon enterprise zone induces eligible businesses of all sizes to make additional investments to improve local employment opportunities, spur economic growth and diversify business activity. Qualifying new plant & equipment in a zone is exempt for three and – in many cases – five consecutive years from the local assessment of *ad valorem* property taxes, which can be a cash drain on investments in capital for businesses seeking to start or enlarge operations. The exemption excludes land, preexisting property value and minor personal property items. Enterprise zone property (except hotel/resorts and utilities) may be exempt for up to two years while being constructed or installed.

## Business Firm Eligibility

Prior to commencing construction/installations, an eligible business firm applies for local *authorization*. Eligible firms include manufacturers, processors, shippers and other operations that serve other organizations, as well as headquarters and call centers. Hotels and resorts are eligible in some or all of 47 of the 76 zones. In up to 15 specially designated electronic commerce enterprise zones, all e-commerce operations are eligible and personal property items more comprehensively qualify. Otherwise, retail, construction, financial, health care, professional services and certain other activities are specifically ineligible, although associated but distinct operations often do qualify.

## Requirements of Businesses—

### *Basic, 3-year enterprise zone abatement ('as-of-right')*

- Enter into first-source agreement with local job training providers
- Increase full-time, permanent number of employees inside the zone at least to 110% of existing number and by one new job (or special-case local sponsor waiver)

- Generally, no concurrent, in-state job losses well beyond the zone boundary
- Maintain minimum employment levels during entire exemption period
- Satisfy local additional conditions, potentially imposed under an urban enterprise zone's policy and standards.

### *Extended abatement, 4 or 5 years of exemption in total, same as 3-year, plus ...*

- Local approval by written agreement with the local zone sponsor by time of authorization, which may have additional requirements of the sponsor
- Average compensation (with benefits) of new jobs in all years at 130% or 150% or more of county average wage as set at authorization<sup>†</sup>
- Those jobs' average wage in 4th and 5th year at least equals the then most recently available county average wage.<sup>†</sup>

\* A locally authorized business firm can benefit in potentially two other ways:

- (1) Local government incentives, such as fee waivers, reduced charges or priority processing.
- (2) Right to acquire (state/local) publicly owned and available real estate for use in the zone.

† Other than in an urban enterprise zone within the Portland and Salem metro areas.

## Long-Term Rural Enterprise Zone Facilities

In most rural enterprise zones—inside qualified rural county or county with chronically low income or chronic unemployment—the new property of an entire, locally certified facility is fully exempt from taxes during construction and then for 7 to 15 years based on business-sponsor agreement. Facility must satisfy special criteria, depending on its location and county's size, in terms of minimum investment cost and new hiring, as well as payroll requirements for all facility jobs equivalent to those noted above for extended abatements with the standard program.