

# HB 2068 / SB 146

Property Tax Exemption:  
Cap on Central Assessment for Certain Companies

Joint Committee on Tax Expenditures

LRO | 3/17/2023



# Property Tax Central Assessment

- ORS requires most property assessment in Oregon to be done by county assessors. DOR is required to assess “centrally assessed properties” as defined in ORS 308.505-308.681. Centrally assessed property is also widely referred to as utility property.
- General categories of property subject to central assessment include (ORS 308.515, 308.516):
  - Air Transportation
  - Rail Transportation
  - Water Transportation
  - Communication
  - Electric
  - Gas
  - Pipeline Gas & Oil
  - Private Rail Cars
- Many of these centrally assessed companies have property across county boundaries and centrally assessed value is apportioned by county.
- Confidentiality requirements limit DOR disclosure of details on these companies.





# Brief Recent History of Central Assessment

- Beginning with the 2009-10 property tax year, DOR began treating cable television and internet access services as “communication” services
- Litigation followed (Comcast v. DOR)
  - Supreme Court decision in 2014 that Comcast’s cable television and internet access services are data transmission services and are subject to central assessment





# Current Property Tax Exemption

- Purpose of tax exemption: The statute that allows this expenditure does not explicitly state a purpose. Exemption provides tax relief for centrally assessed companies, primarily those with high levels of intangible property value (e.g., telecommunication companies). It creates a tax environment that incentivizes investment by centrally assessed companies.
- Exemption originally became law in 2015 with passage of SB 611.
  - In 2019, HB 2130 moved the sunset date to June 30, 2025.





# Current Property Tax Exemption (cont.)

- A centrally assessed company under ORS 308.515(1) can receive exemption on any value above 130 percent of historical or original cost of company's real property and tangible personal property included in unit subject to central assessment:

$$\text{Exemption} = (\text{Unitary RMV} - \text{value exempt under ORS 308.671}) - (\text{HC} \times 130\%)$$

- *Unitary RMV*: Real market value of company's real property and tangible and intangible personal property included in unit subject to central assessment
  - *ORS 308.671 exemptions*: FCC Licenses, Franchises, Satellites
  - *HC*: Historical or original cost of the company's real property and tangible personal property included in unit subject to central assessment
- Amount of this exemption may not exceed 95 percent of real market value of company's real property and tangible and intangible personal property included in unit subject to central assessment:

$$\text{Exemption} \leq \text{Unitary RMV} \times 95\%$$





# What SB 147 Does

- Moves sunset date of partial property tax exemption for centrally assessed companies by seven years, from July 1, 2025 to July 1, 2032. It takes effect January 1, 2024.





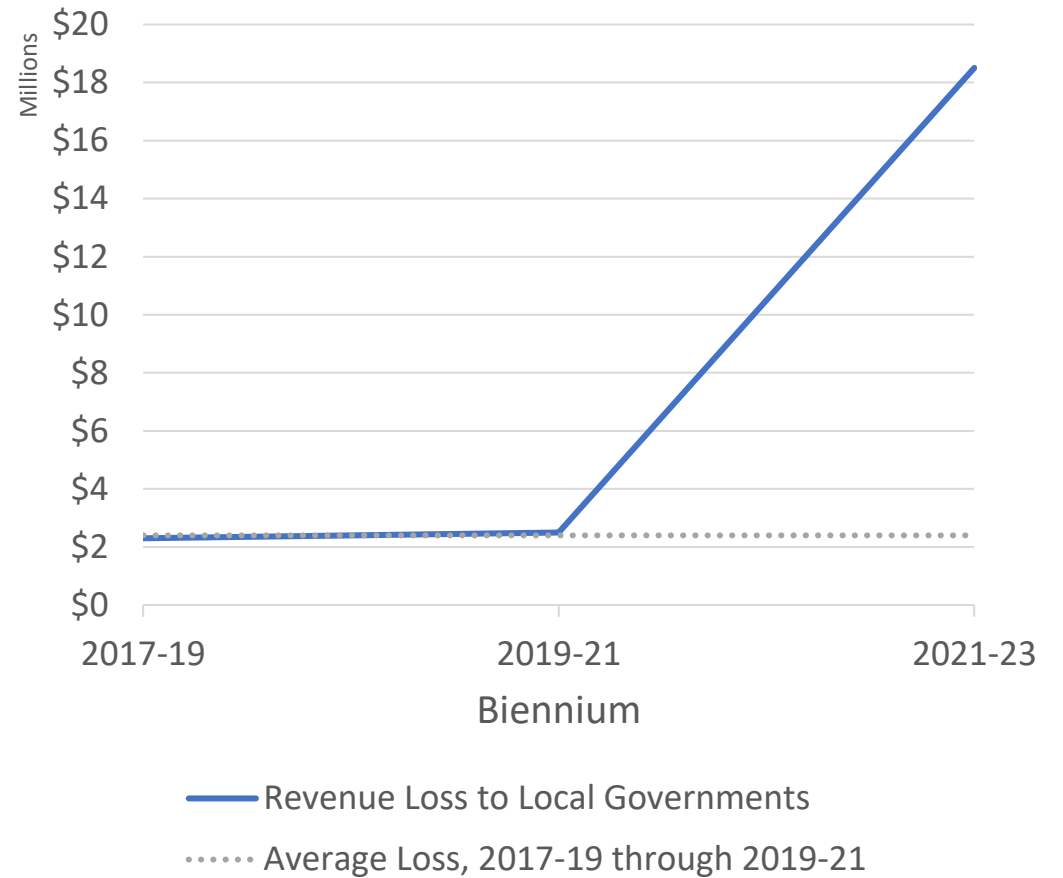
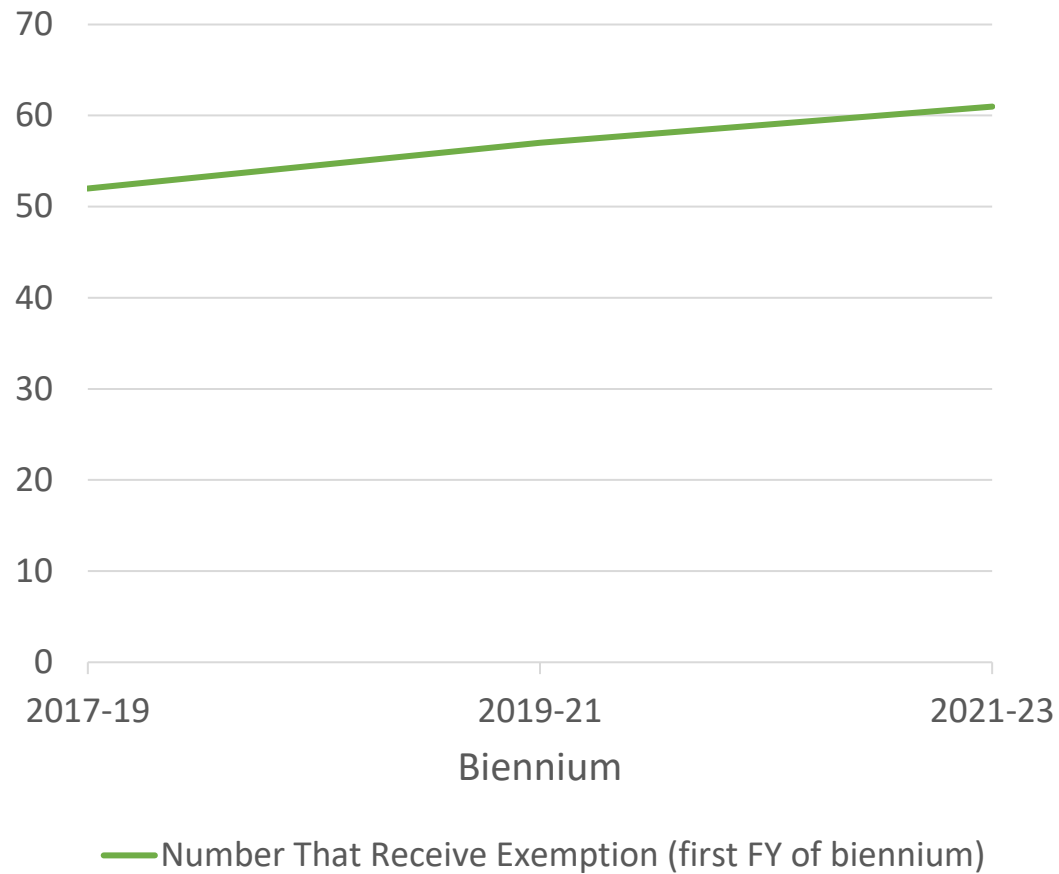
# Current use of exemption

- Revenue impact: \$18.5 million loss in property tax revenue in 2021-23 biennium
- Who benefits: In FY 2021-22, 61 companies received this exemption. Assessed value of property exempted for these companies was \$563 million, primarily from those with higher amounts of intangible value.





# Current use of exemption







# Policy Considerations

- There are no state direct spending programs that provide similar benefits.
- An advantage of tax exemption over a direct expenditure is there is no lost opportunity of funds committed to a project that is not constructed, nor is there any lost revenue.
- To continue an exemption that has an explicit sunset, the sunset may need to be moved repeatedly.
- A sunset in an even-numbered year will not have a gap in program provision, like there is with a sunset in an odd-numbered year.



# Legislative Revenue Office

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