2.017 NEW INDUSTRIAL PROPERTY IN RURAL AREAS

Oregon Statute: Ore. Laws 2016 c.112, 2018 c.111 §15, and 2019 c.575
Sunset Date: 01-01-2024
Year Enacted: 2016

2021-22 Estimated Reduction in the Taxable Assessed Value: $5.2 million

	Loss	Shift
2021-23 Revenue Impact:	$100,000	Less than $100,000
2023-25 Revenue Impact:	$100,000	Less than $100,000

DESCRIPTION: This provision allows a governing body of a city or county to adopt an ordinance or resolution granting a limited-duration property tax exemption or tax deferral for industrial property located within the boundaries of that city or county. The local ordinance does not become effective unless the taxing districts representing at least 75 percent of the applicable property taxes agree to the property tax incentive program.

The following criteria must be met according to the local governing body's ordinance or resolution for the property to receive an exemption or tax deferral:

- The industrial property must be newly constructed or installed in a rural area, whether or not the location has formerly been used for industrial purposes. "Rural area" for the purpose of this provision is defined as an area located in unincorporated territory, or in a city with a population of less than 40,000, that is located entirely outside of urban growth boundaries of any city with a populations of 40,000 or more.
- The property must be newly constructed or installed industrial property and must have a cost of initial investment of at least $1 million and not more than $25 million.
- The applicant must meet employment or other conditions per agreement with the city or county.

Unless the city or county specifies otherwise, the exemption is granted at 100 percent of the real market value of the qualified property for any three out of five consecutive property tax years.

The county or city may specify in the ordinance or resolution:

- A minimum cost of initial investment greater than $1 million,
- Number of years not greater than five for which exemption is granted,
- The percentage of real market value of the qualified property granted exemption each year, and
- Different schedules in each property tax year for the number of exempt years and percentage of real market value exempt, depending on the minimum cost of initial investment.

Instead of an exemption, a city or county may adopt an ordinance that defers the payment of tax that otherwise would be exempt as described above for qualified property. Interest does not accrue while the taxes are deferred. As with an exemption, the deferral cannot be granted for more than five tax years. The first year of deferred taxes are billed and due in the first tax year after the deferral ends. The second year of deferred taxes are billed and due in the second tax year after the deferral ends. This pattern continues for each deferred tax year, year by year, until all deferred taxes are billed.

At any time, a city or county may amend or terminate their ordinance for exemption or deferral on qualified industrial property. However, a property that is receiving an exemption or deferral at the time that the ordinance is amended or terminated will continue to receive the exemption or deferral that was in place when the exemption was initially granted.

Property cannot receive both this exemption or deferral and any other exemption or special assessment (excluding 2.011, Commercial Buildings Under Construction).

If exempt property is not used in the manner or location for which it had been approved, or employment or other agreement terms are not met, the property may be disqualified from exemption and previously exempted tax would be charged on the next tax roll.

Legislation in 2016 (SB 1565) enacted this provision. The last day a local governing body can adopt an ordinance as specified by this provision is January 1, 2024.

Legislation in 2018 (HB 2048) made some technical modifications to the definition of the "eligible location" for the industrial property to qualify for the property tax exemption. Legislation in 2019 (HB 2053) made a change to the due date for meeting employment requirements.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for SB 1565 (2016), "The policy purpose of this measure is to allow cities and counties the ability to provide temporary property tax relief to industrial owners newly constructing or installing qualified industrial improvements in rural area, thereby encouraging business investment in such property and contributing to overall economic development."

WHO BENEFITS: Owners of industrial property in rural areas who construct or install new industrial property improvements.

EVALUATION: *provided by the Oregon Business Development Department*

This tax expenditure might contribute to economic development in Oregon by offering rural city/county jurisdiction an alternative to enterprise zones (see exemption 2.013, Enterprise Zone Business) in a few cases, especially unincorporated areas with economic conditions that would not allow for zone designation. The department, nevertheless, lacks the data or direct experience to address it further, except to observe that the promulgation of the necessary ordinance, local district concurrence, and development of program apparatus at the local level necessitates a great deal of time and special efforts, as undertaken in Marion County, where this tax expenditure is currently being used.