

## HB 2199 A STAFF MEASURE SUMMARY

### House Committee On Revenue

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**Action Date:** 05/11/23

**Action:** Do pass with amendments and be referred to Tax Expenditures. (Printed A-Eng.)

**Vote:** 5-2-0-0

**Yeas:** 5 - Marsh, Nathanson, Nguyen D, Smith G, Walters

**Nays:** 2 - Levy B, Reschke

**Fiscal:** Fiscal impact issued

**Revenue:** Revenue impact issued

**Prepared By:** Beau Olen, Economist

**Meeting Dates:** 4/4, 4/18, 4/20, 5/11

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#### WHAT THE MEASURE DOES:

Extends program by moving sunset from June 30, 2025 to June 30, 2030. Requires agreement between zone sponsor and business firm may not become effective before zone sponsor makes terms of agreement public on zone sponsor website. Requires Oregon Business Development Department to provide technical assistance to zone sponsors and to submit report to Legislative Assembly on enterprise zone program transparency. Requires zone sponsor intending to enter into agreement with business firm that may increase infrastructure use outside zone boundaries to provide timely notice of intent to adjacent local governments. Excludes school district from property tax exemption for earlier of exemption extension or sixth year of exemption, for property tax years beginning on or after July 1, 2024. Effective 91st day after sine die.

#### ISSUES DISCUSSED:

- Business experience with enterprise zones
- Standard enterprise zone enacted 1985. Long-term rural enterprise zone enacted 1997
- Senate Bill 4
- How Oregon tax burden compares to other states
- Oregon statewide land use planning system
- Sunset date and periodic program review
- House Bill 3011
- Enterprise zone return on investment
- State school fund and equalization formula
- Tax shift
- Votes needed to pass bill

#### EFFECT OF AMENDMENT:

Replaces bill.

#### BACKGROUND:

Oregon Enterprise Zones incentivize new business investment by exempting some or all local property tax for several years. An enterprise zone is sponsored by city, port, county, or tribal governments. The local governments are responsible for creating and managing most of these zones until the sunset on June 30, 2025. Currently, Oregon has 76 enterprise zones, of which 58 are rural and 18 are urban. The zones are spread throughout the state, in 35 of 36 counties, and are sponsored by 124 cities, 15 ports, 30 counties, and 2 Indian tribes. In addition, 19 cities, 7 ports and 3 other counties currently consent to zones within their territory that are sponsored by other jurisdictions.

There are four types of Oregon enterprises zones:

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*This summary has not been adopted or officially endorsed by action of the committee.*

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- Standard Enterprise Zone: Eligible businesses that locate or expand into an enterprise zone may receive an exemption of all local property tax for 3-5 years.
- Long-Term Rural Enterprise Zone: For rural enterprise zones in 25 eligible counties (containing 39 of 58 rural zones) that meet particular conditions, this type of zone is an alternative to the Standard Enterprise Zone exemption, which can exempt new facilities from local property tax for 7-15 years for any type of business activity. This new property can also be exempt while under construction for an unlimited number of years.
- Reservation Enterprise Zone: Each of the nine federally recognized Indian tribes in Oregon can each have one reservation enterprise zone designated. Any number of reservation partnership zones can also be designated. This type of zone is not terminated on the sunset date and new zones can be designated or cosponsored after sunset.
- Electronic Commerce Enterprise Zone: Up to 15 existing enterprise zones may also be designated as an Electronic Commerce Enterprise Zone which provides the same local property tax exemption as the Standard Enterprise Zone.

All enterprise zones terminate after 10-11 years. A business receiving an enterprise zone property tax exemption when the zone terminates may continue to receive the exemption for the number of years for which it qualified.