



HB 3457: The SIP deserves an update

House Committee on Revenue – Jody Wiser – 3.23.2023

Chair Nathanson, members of the committee:

I'm Jody Wiser, speaking on behalf of Tax Fairness Oregon, a network of volunteers who advocate for a rational and equitable tax code.

We are delighted to support the bill. We heartily agree with Representative Smith's framing. And we agree with you, Madam Chair, that the program is "Jurassic." We suggest amendments. And we look forward to studying your amendments. We also agree with the Oregon Education Association's analysis of the SIP's effect on schools statewide and other taxing districts.

The SIP was enacted 1993. Data centers, wind farms, solar farms and distributors have emerged since, and take advantage of tax benefits that were designed for an earlier era. And Intel, which took early advantage of it, places costs on the program, in revenue foregone, that are of a different dimension.

We support amendments that update the program for the 21st century.

The SIP is expected to grant businesses \$755 million in reduced taxes next biennium.

The law requires two types of payments:

- A tax payment on \$25 million, \$50 million or \$100 million of assessed value—based on capital investment.
- A Community Service Fee based on 25% of the abated taxes, capped at \$2.5 million per year.

Local communities may and often do negotiate additional fees.

The values upon which property taxes are paid hasn't changed since 1993. The value of \$100 million and \$25 million has doubled because of inflation. The bill includes adjustments to \$150 million and \$40 million. We respectfully suggest full indexing of those figures and inclusion of the third figure, \$50 million, added in 2017.

We would remove entirely the cap on the Community Service Fee. The cap accounts for much of the differences in shown in the table we submit with our written statement, in the column highlighted in yellow. The column shows what each business is paying as a percent of the taxes that would be due without the SIP break on property taxes.

SIP agreements grant substantial tax breaks. But some, notably Intel, receive deeper discounts. That's because the cap on the Community Service Fee suppresses it. A SIP business pays the equivalent of normal property taxes on only about \$250 million of a facility's assessed value of \$670 million or more.ⁱ It matters not whether a business builds a \$1 billion or \$30 billion facility—payments required by our SIP law are the same.

These changes could be effective for all new SIP contracts or for all facilities begun after a point certain—building permits issued, application for SIP amendment made, or another appropriate start points. The facilities approach would mean some increased payments for businesses with agreements that are adding to their facilities over time—such as re-powering wind farms, adding capacity at data centers, or additional construction at Intel under the contract it negotiated in 2014.

The SIP is a 15-year property tax exemption. We don't understand how or why Business Oregon and the Oregon Business Development Commission signed off on Intel's 30-year agreement for Intel. It appears from the document that Intel hoped it would shield it from any inflation adjustments. If that's the case, it should not. Nor should any other SIP agreements. The contracts operate under the laws of the state.

Our table is based on materials provided to the Oregon Business Development Commission. The commission's chart has a significant number of additional columns that the committee might find helpful. Our only addition to the data is the highlighted column. Our table is based on data developed the year before this most recent SIP information was released (see page 63).

Thank you. We would be happy to explore these issues with you.

ⁱ Based on the average tax rate in Washington County is \$17.55 per thousand. $\$17.55 \times 142,400 = \$2,499,120$ —equivalent to the \$2.5M cap on the required Community Service Fee. The amounts will vary depending on property tax rates in the jurisdictions granting SIP agreements.

See following page

We read the bills and follow the money

SIP AGREEMENTS with Tax & Fees paid as a % of taxes due without subsidy

SIP Agreements based on 2019-20 Taxes, 2020 SIP Fees, 2021 Employment & Payroll Reports, presented to the Bus Or Comm., 5.21.2021. Fees & Tax as % of subsidy by TFO

WIND SIP PROJECTS	County	Taxes & Fees Paid as % of taxes w/o subsidy	Property Taxes without subsidies	Taxes Paid on project property	Fees Paid 2020	Year of exemp-tion period	Total Investments
Avangrid Renewables – Klondike Wind Power III	Sherman	82%	\$4,150,000	\$545,000	\$2,862,000	12th	\$465,650,000
PGE – Biglow Canyon Windfarm	Sherman	60%	\$11,337,000	\$528,000	\$6,342,000	12th	\$987,400,000
EDP Renewables NA/Telocaset..., LLCs – Elkhorn Valley	Union	45%	\$965,000	\$257,000	\$177,000	12th	\$205,360,000
Invenergy, LLC – Willow Creek Energy	Gilliam-Mor.	54%	\$899,000	\$332,000	\$154,000	11th	\$131,050,000
Avangrid Renewables – Hay Canyon & Star Point Wind Farms	Sherman	71%	\$2,413,000	\$529,000	\$1,193,000	11th	\$333,280,000
Avangrid Renewables – Pebble Spgs. & L. Juniper II A-B Wind	Gilliam	72%	\$3,014,000	\$357,000	\$2,118,000	11th	\$539,740,000
Exelon Corporation – Echo Windfarms	Mor.-Umatilla	74%	\$867,000	\$448,000	\$195,000	11th	\$108,000,000
Eurus Energy America Corporation – Combine Hills II	Umatilla	74%	\$684,000	\$330,000	\$174,000	10th	\$137,000,000
NEXtera Energy Resources, LLC – Stateline 3 Wind *	Umatilla	111%	\$741,000	\$512,000	\$312,000	10th	\$188,000,000
Caithness Corporation – Shepherds Flats–Gilliam County	Gilliam	55%	\$7,607,000	\$317,000	\$3,836,000	8th	\$968,910,000
Caithness Corporation – Shepherds Flats–Morrow County	Morrow	62%	\$3,389,000	\$431,000	\$1,686,000	8th	\$280,280,000

OTHER SIP PROJECTS	County	Taxes & Fees Paid as % of taxes w/o subsidy	Property Taxes without subsidies	Taxes Paid on project property	Fees Paid 2020	Year of exemp-tion period	Total Investments
Intel – 2005	Washington	38%	\$106,189,000	\$2,297,000	\$38,032,000	10th	\$24,978,000,000
Georgia-Pacific -- Wauna Paper Mill	Clatsop	29%	\$2,956,000	\$346,000	\$500,000	12th	\$522,330,000
Genentech USA – Hillsboro Finish Facility	Washington	100%	\$6,741,000	\$4,552,000	\$2,168,000	10th	\$816,700,000
PGE – Port Westward II Renewable Fuels	Columbia	45%	\$3,456,000	\$334,000	\$1,236,000	5th	\$306,390,000
Intel – 2014-1	Washington	21%	\$109,703,000	\$1,868,000	\$21,089,000	3rd	\$8,142,000,000
PGE – Carty Generating Station -- Natural Gas	Morrow	33%	\$8,114,000	\$346,000	\$2,307,000	3rd	\$507,000,000
Amazon – Data Center 9.2017	Umatilla	94%	\$5,153,000	\$365,000	\$4,500,000	1st	\$2,324,350,000
CoHo Distributing LLC – Columbia Distribution Warehouse	Clackamas	81%	\$710,000	\$446,000	\$131,000	1st	\$1,269,510,000

ANTICIPATED WIND PROJECTS							Anticipated Investments
Avangrid Renewables – Golden Hills Wind Farm	Sherman						\$377,000,000
Avangrid Renewables – Montague Wind Farm	Gilliam						\$590,000,000
DESRI – Orchard Wind Farms	Morrow						\$51,000,000
NEXtera Energy – Wheatridge Wind and Solar/Storage Farms	Morrow						\$855,000,000
NEXtera Energy – Wheatridge Wind Farm	Umatilla						\$146,000,000

OTHER ANTICIPATED SIP PROJECTS							
Obsidian -- Solar	Lake						<\$500,000,000
Google – Data Center 11.2021	Wasco						<\$1,000,000,000
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EdgeConneX – Data Center 4.2022	Crook						?