

**SB 1526 A STAFF MEASURE SUMMARY****Carrier:** Sen. Meek**Senate Committee On Finance and Revenue****Action Date:** 02/26/24**Action:** Do pass with amendments. (Printed A-Eng.)**Vote:** 5-0-0-0**Yeas:** 5 - Boquist, Findley, Golden, Jama, Meek**Fiscal:** Has minimal fiscal impact**Revenue:** Revenue impact issued**Prepared By:** Jonathan Hart, Economist**Meeting Dates:** 2/6, 2/21, 2/22, 2/26**WHAT THE MEASURE DOES:**

This measure is an omnibus bill that makes clarifying and technical changes to income tax and property tax statutes. The policy changes in the measure include extending the industrial site readiness program, adding semiconductor-related development activities to benefits of E-Commerce city Enterprise Zone provisions, and expanding a property tax exemption to one solar project on tribal trust land.

Changes are listed by Section below.

**Policy Changes**

- Sections 9-10: Extends the Industrial Site Readiness Program three years by moving the sunset from July 1, 2023, to December 31, 2029. Ensures \$10 million cap applies to income tax increment payments and not also to loans. Changes employment level and wage qualification language to align with available data.
- Sections 24-26: Adds semiconductor-related development activities in a designated e-commerce city to property that may qualify for a property tax exemption from three to five years under the E-Commerce provisions of the Enterprise Zone exemption. Applies to Property Tax Years beginning July 1, 2025.
- Sections 26a-26b: Expands property tax exemption for permanent improvements located on land owned by the United States and held in trust for a federally recognized Indian tribe or member, to the first completed centrally assessed permanent solar energy project for the purpose of heating, cooling, or generating electricity within Jefferson or Wasco County

**Clarification of 2023 Legislation**

- Section 2: Aligns applicability of the Short-Line Railroad Tax Credit policy changes made in HB 3406 (2023) with the 2029 sunset of the tax credit as extended by HB 2071 (2023).
- Sections 3-4: Cancels outstanding, uncollectible, property taxes for port district property held by the federal government under a leasehold interest.
- Section 5: Aligns applicability of the Pass Through Entity Elective Tax (PTE-ET) changes made by SB 1524 (2022), with the 2025 sunset of program as extended by HB 2083 (2023).
- Sections 6-8: Adds applicability clause to the tax credit created by HB 2071 (2023), specifying it is applicable for tax years 2024 through 2029. Clarifies sharing of credit certification information.
- Sections 29-40: Clarifies Tax Court jurisdiction, and appeals processes for local income taxes. Combines appeals process for income taxes and taxes reported on income tax returns even if not measured by income. Specifies that Tax Court and Circuit Courts have concurrent jurisdiction for other local tax laws.

**Technical Changes**

- Sections 11-25: Technical changes to property taxes.
- Section 27: Extends the deadline for Office of Economic Analysis (OEA) to the Department of Revenue (DOR) that a non-corporate kicker has been triggered, and the period that DOR must notify the public, by moving the deadlines one month to November 1st and 15th, respectively.

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- Section 28: Specifies that OEA determines amount of CAT revenue to transfer to the State School Fund, rather than Legislative Fiscal Office and Legislative Revenue Office.

### **ISSUES DISCUSSED:**

- Current implementation of exemption and whether this section is more/less difficult to implement
- How trusts would/could claim PTE-ET credit, fiscal implications of PTE-ET expansion to include trusts, and limitation on the use of PTE-ET provisions generally
- Industrial site readiness, funding flow from state to local governments & related appropriations legislation (HB 4042, 2024), length of sunset extension, and availability of data needed to estimate incremental income taxes
- Potential account activity related to ORS 311.711
- Benefits of solar development on tribal land
- The need for more time to develop a general CAT exemption that covers only intended taxes and similar charges that businesses are required to collect from customers and pass on to a government, or for public purposes.

### **EFFECT OF AMENDMENT:**

Deleted Sections related to the following:

- ADU/Multiplex calculation of property tax exemption
- Allowing trusts to be members of pass-through entities using Pass Through Entity Elective Tax
- Discontinuation of certain cities' temporary definition of 'area' for special determination of value.
- Replacing specific CAT exemptions with general exemption.

Extends sunset of Industrial Site Readiness program to agreements made prior to December 31, 2029. Changes specifications of employment level and wage qualification for eligible employers to align with available data.

Clarifies that outstanding balances from repeal of expired Deferral of Special Assessments for Local Improvements remain due. Delays repeal of statutes in Section 22 until July 1, 2034 to retain references to revolving account related to deferral of special assessment through that date.

Allows businesses engaged in semiconductor-related development activities to benefit from E-Commerce zone property tax exemption inside a city designated for E-Commerce for property tax years beginning on or after July 1, 2025.

Expands property tax exemption for permanent improvements located on land owned by the United States and held in trust for a federally recognized Indian tribe or member, to centrally assessed permanent improvements consisting of solar energy systems for the purpose of heating, cooling, or generating electricity. Specifies that exemption applies to first project completed on or after the effective date of the measure within Jefferson County or Wasco County. Applies to property tax years beginning on or after July 1, 2025. Specifies that automatic sunset (ORS 315.037) does not apply to this provision.

Clarifies and adds procedural changes related to HB 2576 (2023), including clarification of Tax Court jurisdiction, and appeals processes for local income taxes. Combines appeals process for taxes reported on income tax returns that are not "measured by income." Specifies that Tax Court and Circuit Courts have concurrent jurisdiction for other local tax laws.

### **BACKGROUND:**

On January 11, 2024, there were informational meetings on SB 1526 (then, LC 169) in the Senate Interim Committee on Finance and Revenue and the House Interim Committee on Revenue.

This miscellaneous bill has provisions with clarification for prior years' legislation, technical changes and policy changes. Since the first overview of the bill was presented, additional policy provisions have been proposed by amendment.

## **SB 1526 A STAFF MEASURE SUMMARY**

The measure includes extension of the Industrial Site Readiness program from June 2023 to December 2029. The Oregon Industrial Site Readiness Program (Program) was established in 2013 and modified by SB333 in 2017 Session, to provide financial assistance to qualified project sponsors through tax reimbursement arrangements and loans, including forgivable loans. However, the Program Loan Fund has not been capitalized to date and the Oregon Business Development Department (OBDD) has not provided loans to qualified project sponsors. Twelve Regionally Significant Industrial Sites have been designated and approved. OBDD reports that project sites represent 6,250 acres of industrial land that are expected to generate over 34,000 jobs. OBDD can enter into agreements with qualified project sponsors to reimburse eligible costs from up to 50% of the income taxes associated with reported employment increases within the zones.

The measure includes an expansion of a property tax exemption for permanent improvements located on land owned by the United States and held in trust for a federally recognized Indian tribe or member, to a centrally assessed permanent solar energy project for the purpose of heating, cooling, or generating electricity within Jefferson or Wasco County. This is intended for a project on the Warm Springs Reservation. The Salmonfly Solar and Battery Energy Storage project, which is a 250 MW photovoltaic solar and 250 MW battery energy storage project being developed by BrightNight Power on the Warm Springs Reservation. The project will utilize between 1,500-2,000 acres of dry grazing land that has been identified by the Tribe for potential solar development. BrightNight has been working with the Tribe's utility, Warm Springs Power & Water, to evaluate and develop the project over the last 3 years. The project has begun environmental permitting and detailed design with the goal of starting construction in 2025.

The measure adds semiconductor-related development activities in a designated e-commerce city to property that may qualify for a property tax exemption from three to five years under the E-Commerce provisions of the Enterprise Zone exemption. North Plains is the only designated e-commerce city, though there are 14 other e-commerce zones reported by OBDD.