REVENUE IMPACT OF PROPOSED LEGISLATION

74th Oregon Legislative Assembly
2007 Regular Session
Legislative Revenue Office

Bill Number:	**SB 151-B**
Revenue Area:	Property Tax
Economist:	Mary Ayala
Date:	May 3, 2007

Measure Description: Extends the current sunset date for the enterprise zone program from June 30^{th} 2009 to June 30^{th} 2013. Directs the Oregon Economic and Community Development Department (OECDD) under the direction of the Economic and Community Development Commission to prepare a report for the Legislature prior to February 1, 2009 that evaluates the performance of Oregon's enterprise zones and related tax incentives. Subject to local option, the enterprise zone property tax exemption may be extended for not more than 3 additional years on the qualified property of a eligible company has been certified for design, construction and utilization by the Leadership in Energy and Environmental Design Green Building Rating System, or a similar rating system. Takes effect 91 days after sine die.

Revenue Impact:

$millions	2007-08	2008-09	2007-09 Biennium	2009-11 Biennium	2011-2013 Biennium
State General Fund	**0**	**0**	**0**	**0**	**0**
State Other Funds	**0**	**0**	**0**	**0**	**0**
Local Government	**0**	**0**	**0**	**-$.522**	**-$1.04**
Local School Districts	**0**	**0**	**0**	**-$.313**	**-$.756**

Impact Explanation: The exact year in which a company might initially claim the proposed exemption is uncertain because companies are already claiming the 3-5 year property tax exemption under current law and would not be applying the proposed exemption until their current exemptions have been terminated. However, the OECDD suggests that at some point 10 companies per year might apply for the proposed exemption on investments that total $12 million (i.e., an average of $1.2 million per company per year).

Assumptions:
1. The 10 companies will qualify for the full 3-year, extended exemption beginning in FY0911.
Rationale: The new investments must be undertaken after the effective date of this Act. It would take at least a year after the investments are operational before the exemption would be claimed in the following tax year.
2. The annual investment per year over the forecast period will remain a total of $12 million. For simplicity, this estimate is assumed to equal the assessed value of the property.
3. For simplicity, a $15 tax rate per $1,000 assessed value is the average property tax rate.
4. As noted, the initial revenue impact depends on the termination dates of existing exemption periods. However, the revenue impacts will increase and then level off. BN1113 is an estimate of the full recurring revenue impact.

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