REVENUE IMPACT OF PROPOSED LEGISLATION

74th Oregon Legislative Assembly
2007 Regular Session
Legislative Revenue Office

Bill Number:	**SB 151-C**
Revenue Area:	Property Tax
Economist:	Mary Ayala
Date:	June 14, 2007

Measure Description: Extends the current sunset date for the enterprise zone program from June 30th 2009 to June 30th 2013. Creates a property tax, enterprise zone exemption until June 30th 2016 for certain buildings, if the business that owns this property satisfies the enterprise zone requirements, if it engages in activities that result in a land transfer between a business entity and a state government and/or local government; and if it is located in a city having a population of more than 2,500, but less than 5,500 within a county having a population of more than 6,000, but less than 9,000, as of the latest federal decennial census. Requires that prior to February 1, 2009, the Legislative Revenue Officer shall file with the Seventy-fifth Legislative Assembly a report that evaluates the performance of Oregon's enterprise zones and related tax incentives. Requires that the interim legislative committee of the House of Representatives on revenue or economic development shall perform this evaluation. Takes effect upon becoming law.

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 FY2009-2011.
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. BN2011-2013 is an estimate of the full recurring revenue impact.

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