Seventy-Eighth Oregon Legislative Assembly - 2015 Regular Session
STAFF MEASURE SUMMARY

MEASURE: **SB 611 A**
CARRIER: **Sen. Boquist**
Sen. Hass

Senate Committee On Finance and Revenue

Fiscal:	Fiscal impact issued
Revenue:	Revenue impact issued
Action Date:	02/26/15
Action:	Do Pass With Amendments. (Printed A-Eng.)
Meeting Dates:	02/16, 02/17, 02/23, 02/24, 02/25, 02/26, 02/26
Vote:	
	Yeas**:** 5 **-** Baertschiger Jr, Boquist, Edwards, Hass, Riley
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WHAT THE MEASURE DOES:
The bill as amended would create and make available the new exemptions to companies subject to central assessment. New exemptions relate to the value of franchises, satellites used in connection with FCC license agreements to provide service directly to retail consumers, and an alternative exemption calculation based upon a company's historical or original cost of the company's real property and tangible personal property multiplied by 130%. For companies receiving the newly created exemption related to a new qualified project, Oregon allocated value will be based upon the greater of $250 million or the real market value of real and tangible personal property located in Oregon as of the assessment date. The exemptions described in this paragraph apply to property tax years beginning on or after July 1, 2016.

Clarifies that a company that is an owner or lessee of a data center is not a centrally assessed property under ORS 308.515 if certain conditions are met. The conditions are that the company owns, leases or uses a data center and the original cost of construction and installation of real and tangible personal property used by the company in the business of communication unrelated to the company's data centers, does not equal more than ten percent of the original cost of the real and tangible personal property of all data centers owned, leased or used by the company in Oregon. Describes legislative intent. Applies to property tax years beginning on or after July 1, 2015.

ISSUES DISCUSSED:

- Public Utility Commission's administrative and oversight role
- Depreciation of assets, booked vs. tax depreciation, definition and terminology
- Existing rules on depreciation
- Revenue change for hypothetical company with high intangible to tangible value
- What constitutes "state of the art" communication infrastructure
- Definition of gigabyte and gigabit
- Clarification of tax treatment for data centers
- Application of other exemptions
- Revenue loss impact upon local taxing districts
- Use of satellites and FCC licenses in relation to exemption applicability
- Importance of data centers in rural Oregon and benefits to local economy and governments.

EFFECT OF COMMITTEE AMENDMENT:

The -3 amendments replaced the original language of the bill which instructed the Department of Revenue to study the issue of central assessment.

BACKGROUND:
ORS 308.505 - 308.665 requires the Department of Revenue to assess utility properties as described in 308.515(1). This assessment is referred to as "central assessment". Central assessment differs from property assessments done by the county assessor in that central assessment follows a unitary assessment approach. Unitary valuation is singularly valuing an integrated group of assets functioning as an economic unit without reference to the component values. Unitary valuation includes the tangible and intangible value of a company in reaching a unitary value.

Beginning with the 2009-10 tax year, reflective of general industry changes, Department of Revenue changed its interpretation of a communication company as defined in ORS 308.515(1). This change resulted in companies being subject to central assessment that were previously locally assessed. This change in interpretation was upheld by the Oregon Supreme Court in Comcast Corporation v. Department of Revenue (issue related to maximum assessed value remanded to Tax Court). The result of interpreting more companies as being "communication" companies and therefore subject to central assessment is the inclusion of those company's tangible and intangible value in their property tax assessment. The composition of a communication company's tangible and intangible value can vary considerably. High levels of intangible to tangible value can result in tax assessments several times greater than what would be assessed if the assessment was based on tangible value only. This can be especially acute for companies newly investing tangible communication property in Oregon.