REVENUE IMPACT OF PROPOSED LEGISLATION

79th Oregon Legislative Assembly
2017 Regular Session
Legislative Revenue Office

Bill Number:	**SB 936 - B**
Revenue Area:	**Property Taxes**
Economist:	**Kyle Easton**
Date:	**5/17/2017**

Only Impacts on Original or Engrossed Versions are Considered Official

Measure Description:

Measure makes changes to the Strategic Investment Program (SIP). Measure increases taxable portion of property of an eligible project located in a rural area. Changes effect projects first determined to be eligible on or after the effective date of this act (changes detailed in table below). Increases maximum local government fee that may be imposed to support community services to $2.5 million from $2 million or $500 million in non-rural and rural areas respectively. Changes to community services fee apply to agreements entered into on or after effective date of measure and with respect to projects first determined by the Oregon Business Development Commission to be eligible projects on or after effective date of measure. Increase in community service fee does not apply to projects located in Strategic Investment Zones.

	Existing Law	Proposed Changes in SB 936-A3
Initial Taxable Portion of Eligible Property's Real Market Value in Rural Area	$25 million for all eligible projects in rural areas	$25 million if total cost of project ≤ $500 million
		$50 million if: $500M < total cost of project ≤ $1 billion
		$100 million if total cost of project > $1 billion

Revenue Impact (in $Millions): Indeterminate

Impact Explanation:

The revenue impact is indeterminate for multiple reasons. Only a few SIP projects exist with new projects occurring rather intermittingly. This limits ability to estimate future SIP projects and subsequent impacts upon revenue resulting from statutory changes to the SIP.

Secondly, in addition to property taxes imposed on the portion of property value that is taxable and the community service fee required under ORS 285C.609, locally negotiated required payments made by project owner also generally exist. Assuming counties (and Oregon Business Development Commission) negotiate the greatest local payments possible (or said another way, provide the minimum tax reduction required to incentivize a business to invest in project), an increase in statutory property tax or community service fees would be expected to be offset by decreases in locally negotiated payments. While increases in statutory revenues may be offset by declines in locally negotiated payments, distribution of revenues would be affected. As property tax revenues are dedicated to funding the education system and local governments, an increase in revenue to education districts would be expected (education districts do not receive any portion of statutory required community service fee). Depending upon recipients of locally negotiated payments, local governments may experience a net increase or decrease in revenue.

To give some sense of potential impact upon revenue distributions, superimposing changes contained in measure on existing projects receiving SIP exemption would yield an annual increase in property tax revenues of about $1 million and potential additions in statutory community service fees of $3.2 million. On average, about 40% of non-bond property tax revenue goes to fund education districts. Statutory community service fees are distributed based upon local agreement between county, city and special districts. Impact upon revenues will ultimately depend upon the number, size and location of new SIP projects.

Creates, Extends, or Expands Tax Expenditure: Yes ☐ No ☒

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