Overview of Changes made by Senate Bill 611 (2015)

Senate bill 611 (2015) made a number of changes to Oregon's central assessment statutes and created or expanded a number of new/existing property tax exemptions related to companies subject to central assessment. Each change is briefly described below.

Historic Cost x 130% (Sunset: 6/30/2021 per ORS 315.037(3)) - Listed as 2.102 in Gov's Tax Expenditure Report

Provides exemption to a company that is centrally assessed. The exemption functions in a manner similar to a cap on the value of a centrally assessed company that qualifies and benefits from the exemption. Generally, companies that receive benefit from the exemption are primarily those with higher amounts of intangible value.

Exemption value is computed as follows:

$$Exemption = (Unitary\ RMV - value\ exempt\ under\ ORS\ 308.671) - (HC * 130\%)$$

Unitary RMV: Real market value of the company's real property and tangible and intangible personal property included in the unit subject to central assessment
ORS 308.671 Exemptions: FCC Licenses, Franchises, Satellites
HC: Historical or original cost of the company's real property and tangible personal property included in the unit subject to central assessment

The amount of the exemption is limited to no more than 95% of the company's unitary real market value.

According to the 2017-19 Governor's Tax Expenditure Report, in tax year 2016-17, 42 companies received this exemption and the estimated revenue loss for 2017-19 biennium is $1 million.

Franchises and Satellites (No sunset date) - Listed as 2.104 in Gov's Tax Expenditure Report

Prior to changes in SB 611 (2015), only the value of Federal Communications Commission licenses held by communication companies were exempt from property taxation. SB 611 (2015) expanded the existing property tax exemption available to communication companies to include franchises, and satellites that are used by the company to provide communication services directly to retail customers. Value of the exempt property equals the "booked value" (accounting value - accrued depreciation). Communications companies may elect only one type of property to be exempt (FCC license, franchises, or satellites).

According to the 2017-19 Governor's Tax Expenditure Report, estimated revenue loss for 2017-19 biennium is $42.3 million.

Gigabit (Sunset on new approvals 6/30/2021 per ORS 315.037(3)) - Listed as 2.103 in Gov's Tax Expenditure Report

Exemption available to a centrally assessed company that builds, maintains and operates a qualified project in Oregon. A project is a qualified project if:

- Project requires capital investment in newly constructed or installed real or tangible personal property constituting infrastructure that enables the company to offer communication services, including a capacity of at least one gigabit per second symmetrical service, to a majority of the residential customers of the company's broadband services, and
- Company does not deny access to the communication services to any group of residential customers because of the income level of the residential customers in the local service area.

Exemption

Exemption value is computed as follows and is granted for up to 20 consecutive years:

$$Exemption = (OR\ Unitary\ RMV - OR\ Exemptions) - \max(\$250\ million, RMV\ of\ OR\ real\ \&\ tangible\ property)$$

The effect of the exemption is to exempt value above the greater of $250 million or RMV of OR real & tangible property. This has the potential to effectively eliminate the intangible value of a company that receives the exemption, depending upon company's real and tangible property value in Oregon.

Qualified Project Determination and Granting of Exemption

Company seeking exemption is required to submit an application to the Public Utility Commission (PUC) on or before January 15 preceding the first property tax year for which exemption is sought. PUC is required to determine whether the project is a qualified project on or before March 1 of the year in which application is submitted. The Department of Revenue (DOR) grants the exemption annually to qualified projects that are built, maintained and operated.

Reporting Requirements

On or before December 15th of each year, assessors are required to submit to DOR a report stating, for both current tax year and estimates of following tax year:

- Amount of exemption granted to the property of each company,
- Amount of property taxes imposed on the property, and
- Amount of property taxes that were not imposed on the property because of the exemption.

No later than January 1 of each year, DOR is required to submit report compiling county received information and provide report to PUC. No later than February 1 of each year, PUC is required to submit a report to the interim committees on revenue. Required contents of the report are contained in ORS 308.681.

Changes Regarding Data Center and Owners of Data Center Property (from SB 611 SMS)

These changes reflect changes to property taxation base and are not considered exemptions. Description of changes are included here for reference.

Clarifies that a company that is an owner or lessee of a data center is not a centrally assessed under ORS 308.515 if certain conditions are met. The company must own, lease or use a data center as defined in 308.516. Moreover, 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.

Clarifies that data center property of a company subject to central assessment is to be locally assessed if the total historical or original cost of the real and tangible personal property of all data centers owned, leased or used by the company in Oregon is equal to or greater than $200 million. Clarifications related to data center property apply to property tax years beginning on or after July 1, 2015.