HB 3146 B STAFF MEASURE SUMMARY

Carrier: Rep. Smith G

House Committee On Revenue

Action Date:	06/30/17
Action:	Do pass with amendments to the A-Eng bill. (Printed B-Eng.)
Vote:	7-0-2-0
Yeas:	7 - Barnhart, Buehler, Hernandez, Johnson, Marsh, Nosse, Smith G
Exc:	2 - Bentz, Smith Warner
Fiscal:	No fiscal impact
Revenue:	Revenue impact issued
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WHAT THE MEASURE DOES:

Reduces wage compensation minimum threshold requirements for workers hired by businesses benefiting from property tax standard or long term rural enterprise zone programs that are located in a "qualified rural county". Defines qualified rural county as county that is outside all metropolitan statistical areas as defined by most recent federal decennial census and in which, on most recently certified property assessment roll, the total property taxes imposed by all taxing districts within county are equal to or greater than 1.3% of the total assessed value of all taxable property located in county.

To qualify for additional one or two years of exemption under standard enterprise zone program, requires average wage received by the newly hired employees of the firm to equal or exceed 100 percent of the average wage in the county.

To maintain qualification for long term rural enterprise zone property tax exemption, requires annual average wage at the facility to equal or exceed 100% of the average wage in the county.

Makes changes to qualification for Oregon Investment Advantage exemption from taxable income. For facilities that will be located in a county that is outside all metropolitan statistical areas, requires newly hired employees to receive minimum annual compensation of 130% of the county per capita personal income of the county in which the facility is to be located as determined at time of application for preliminary certification. For all facilities, requires average wage received by the newly hired employees to equal or exceed 100% of the average wage in the county.

Makes changes to Oregon Business Retention and Expansion Program. If employees are to be hired in a county outside all MSAs, average annual per employee compensation requirement reduced from at least 150 percent of the, lesser of, county or state average annual per employee compensation, to 130%.

Changes to compensation requirements are generally structured to affect exemption applications filed on or after effective date of act. Takes effect on 91st day following adjournment sine die.

ISSUES DISCUSSED:

- By adding new criterion of being outside an MSA, for those counties outside of MSAs, effectively eliminates need to meet any one of the existing three requirements: chronic low income, chronic unemployment or negative net migration
- Potential of temporary workers skewing county data causing countywide per capita personal income figures to increase
- Use of average as opposed to median
- Impact that labor from areas outside of the local rural area can have upon compensation measurements
- The 1.3% property tax requirement contained in amendment
- Origination of the 150% wage requirement
- How HB 2904 and HB 3146 are related

- Definitions in measures differ, reasoning for this, expectation of aligning definition in later amendments.

EFFECT OF AMENDMENT:

Replaced content of measure.

BACKGROUND:

Economic development programs often include tax abatements or tax credits to employers as an incentive to develop or expand their business operations in targeted locations. In return for the tax benefits, the employer typically has to guarantee that the jobs created will pay relatively high wages. Each economic development program contained in measure provides a specific wage requirement standard.

Wage Compensation Requirement Changes

Enterprise Zone: Regarding potential additional two years of exemption, if enterprise zone is located in a qualified rural county, then minimum average rate of compensation requirement is reduced from 150% of county average annual wage to 130%. To qualify for additional one or two years of exemption under standard enterprise zone program, requires average wage received by the newly hired employees of the firm to equal or exceed 100 percent of the average wage in the county.

Oregon enterprise zone program provides a property tax exemption to newly placed in service qualified real and personal property of a qualified business. Standard property tax exemption period is three years with ability of exemption to be extended for additional one or two years. If the enterprise zone is a rural enterprise zone or an urban zone located inside a metropolitan statistical area of fewer than 400,000 residents, for the property tax exemption to be extended an additional one or two years, new employees hired by the firm must be compensated at an average rate of at least 150% (or possibly 130% per changes in measure) of the county average annual wage in each of the one or two years of the extension.

Long Term Rural Enterprise Zone: If facility is located in a qualified rural county, average annual compensation requirement reduced from 150% of county average annual wage to 130%. To maintain qualification for long term rural enterprise zone property tax exemption, requires annual average wage at the facility to equal or exceed 100% of the average wage in the county.

Long Term Rural Enterprise Zone program provides a property tax exemption to qualified property of an eligible business located within a county that meets criteria necessary to be considered a county with chronically low income or chronic unemployment. The property tax exemption is available for 7-15 years and is applicable to new property and improvements of the qualified facility. To qualify, business firm must meet employment and compensation requirements relating to employees hired at the facility.

Oregon Investment Advantage: If facility is to be located in a county that is outside all Metropolitan Statistical Areas (MSAs), average annual compensation requirement reduced from 150% of the county per capita personal income of the county to 130 percent of the county per capita personal income of the county. Requires average wage received by the newly hired employees to equal or exceed 100% of the average wage in the county.

Oregon Investment Advantage provides an exemption from taxable income available to businesses that build and operate a qualified facility in a qualified location. Qualified locations are those zoned for industrial use or within the urban growth boundary of city with 15,000 or fewer residents and located in counties with comparatively higher unemployment and lower per capita personal income than other counties in the state. To qualify, facilities must: operative a specified number of years, hire at least five full-time employees and compensate employees at 150% of the county per capita personal income of the county as of date of preliminary certification or 100% of the county per capita personal income of the county if the business provides health insurance coverage to employees in amount equal to or exceeding health insurance benefits provided to employees of the city, port or county.

The exemption is available for ten years to a business firm operating a qualified facility. The amount of the exemption is computed by multiplying the income of a business firm by the sum of: 50% of the ratio of payroll at facility over total statewide payroll of business firm and 50% of the ratio of average value of property at facility over average value of property of the business firm statewide.

Oregon Business Retention and Expansion Program: If employees are to be hired in a county outside all MSAs, average annual per employee compensation requirement reduced from at least 150 percent of the, lesser of, county or state average in annual per employee compensation, to 130%.

The Oregon Business Retention and Expansion Program provides forgivable loans to companies that have at least 150 employees and plans to hire 50 or more full-time employees in Oregon whose compensation will average the lesser of: at least 150% (or 130% per measure) of the county or state average in annual per employee compensation. The amount of the loan is limited to the personal income tax revenues estimated to be substantially equivalent to the amount of tax that eligible employees of an eligible employer will be required to pay in the two consecutive tax years beginning with the tax year following the tax year in which the employer receives certification. The program is capitalized with State Lottery Funds.

Oregon Industrial Site Readiness: If employees have been hired in county outside all MSAs, reduces compensation requirement of 150% of the county or state average wage, to 130%.

The Industrial Site Readiness Program is an economic incentive for local governments to build infrastructure for traded-sector industries by providing half of income tax revenue attributable to the businesses that locate on site back to local government sponsors. This can be up to the full cost of providing the infrastructure or half of the cost of providing the infrastructure if a loan is issued to the sponsor.