PROGRAM BASICS (Visit Business Oregon – www.oregon4biz.com to learn more):

Property Tax Abatements Addressed in House Bill 2053 (2019)

Standard Enterprise Zone Exemption – at least three years of local property tax abatement for eligible business firms respective to newly in-use property

- Begun in 1985, sunsets in 2025; statutes much revised in 1991 and since
- Currently, 73 zones sponsored by city, port, county and tribal governments in local area meeting economic hardship measure and subject to other statutory criteria
- Business must increase zone employment by greater of one-job or 10% increase
- Locally administered through appointed zone manager and county assessor
- Extended abatement up to five years in total, subject to agreement between authorized firm and local sponsor, added in 1993; three-year period is as-of-right
- In 2017–18: 9,400 new, full-time jobs at 176 projects affecting $83 million in taxes
- Extended abatements account for 65% of jobs and 56% of the exempt property.

Long-term Rural Enterprise Zone Facility – all new facility property exempt for 7 to 15 years by negotiated agreement between zone sponsor and locally certified firm

- Begun in 1997/1999, but only two exempt facilities before 2009, sunsets in 2025
- Currently available in 39 of 56 rural enterprise zones based on qualified rural county status or on chronic economic statistics of county compared to U.S.
- Minimum investment (≤ $12.5/25 million) and at least 10, 35, 50 or 75 full-time hires
- Special construction-period exemption prior to 7–15-year period
- By 2018, program had created more than 800 full-time jobs (aside from contractors) at 12 different facilities of 9 business firms in just 4 counties
- Proposed projects are under construction in 3 other rural counties
- In 2017–18, nearly $51 million is associated with $3.1 billion in investment.

Property Tax Abatements Related to Business Development, but without hiring or compensation criteria in statute

Strategic Investment Program (SIP) – partial exemption on very large eligible projects

- Begun in 1993; rural–urban distinctions, but allowed anywhere in state
- County-driven process, with final determination of Business Oregon Commission
- Property in excess of (initially) $25, 50 or 100 million is exempt for 15 years
- Business pays locally shared community service fee; other requirements negotiable
- In 2017, 16 users, $17 billion of exempt property, and 5,315 new jobs (7,472 retained)
- Only in 9 counties, so far, plus 7 additional projects that have been approved
- Strategic investments zones allowed and three have been designated
- State makes local payments based on 80% or 20% of estimated personal income tax (PIT) revenue (≤ $16m/county); Business Oregon processes annual payroll reports.

Other Notable Exemptions –

- Construction-in-Process—unfinished improvements as of December 31 exempt from local property taxes for up to two years with April-1 filing each year. Begun statewide in 1959, mainly for manufacturing; special enterprise zone version since 2003 ties into standard exemption.

- Food Processing Machinery & Equipment—new M&E is exempt for five years, if used in primary processing of any number of goods for human consumption, as certified by state Department of Agriculture. Begun in 2005, expanded in 2015, sunsets in 2019 (under "natural resources" in biennial Tax Expenditure Report).

  (A great many exemptions on otherwise taxable property are found in Oregon law. Several such as for brownfields, energy, inventories or ports/airports can be of policy interest, but they are not directly significant as business incentives.)

Other Programs Addressed in House Bill 2053 (2019)

Oregon Investment Advantage (OIA) – subtraction of taxable income on state tax returns in proportion to new facility operations of a certified business firm

- Begun 2001; little used for several years, and still hard to communicate
- Allowed on industrial land or inside smaller-city UGB, but only in 15 counties at present, based on rank for per capita income and annual unemployment rate
- Facility must be first of its kind for company in Oregon, not compete with existing employers in local economy, and add at least five full time jobs
- Allowed over 10 years starting 24 months after facility operations begin
- Preliminary/annual certification based on technical processing at Business Oregon
- Down to 9 certified firms, maybe only 6 this year; others preliminarily certified.

Business Retention and Expansion Program (BEP) – cash award of not more than two years' worth of estimated incremental PIT revenue from new hiring

- Begun in 2011
- Funded through budgetary appropriation for Governor's Strategic Reserve Fund[*]
- Administered by Business Oregon, which makes award to an established company through performance agreement based on 50 new eligible employees in Oregon
- Eight effective awards all in urban counties, totaling $6.65 million, 2011–2018.

Regionally Significant Industrial Site (RSIS) – PIT revenues reimbursed to local governments for the cost of site readying efforts (not a direct business incentive)

- Begun in 2013
- Reimbursement subject to site designation and agreement with Business Oregon, based on payroll of employers with at least 50 employees, or 25 at a rural site
- Total capped at $10 million per year and not more than 50% of revenues generated
- First two reimbursement agreements only recently executed.

[*] SRF is a discretionary tool funded by lottery dollars and used for a variety of purposes impacting state economic development, including business recruitment, retention and expansion projects, by tying the award (forgivable loan) to direct job retention and creation requirements through a performance agreement between Business Oregon and the company.

BUSINESS INCENTIVES:
Tax Abatements

Companies are growing in Oregon, which offers tax savings and other incentives to suit the aspirations of most any business.

STANDARD ENTERPRISE ZONE EXEMPTION

Hundreds of diverse companies throughout the state have enjoyed this program's immediate cash savings on new investments in an enterprise zone:

- Manufacturing, processing, storage, distribution, service centers, and corporate headquarters are all eligible, pursuant to a local authorization application before hiring or any construction or installation begins.
- New buildings, additions, and equipment installed on site receive 100% property tax abatement if zone employment rises by the greater of one job or 10%.
- Exemption is for a minimum of three years after the year in which the qualified property is placed in service.
- The local zone sponsor may extend the period of tax abatement up to five consecutive years, in total, by entering into an agreement which may have additional conditions, and, except in Salem or Portland-area urban zones, if average wages and compensation of new employees meet certain criteria relative to county average wages.

STRATEGIC INVESTMENT PROGRAM (SIP)

Instrumental in facilitating exceptionally large capital projects:

- SIP exempts project property in excess of (initially) $100 million for 15 years. In rural areas, this taxable portion drops to $50 million for projects costing $1 billion or less, and to $25 million, if total costs are not more than $0.5 billion.
- By statute, the company pays a community service fee equal to 25% of the abated taxes, up to a yearly maximum of $2.5 million (outside SIZ).
- An eligible project needs to directly benefit a traded sector industry, defined by law as one, "in which member firms sell their goods or services into markets for which national or international competition exists."
- The exemption is available anywhere in Oregon, either through a public hearing and project-specific agreement, or in a pre-established Strategic Investment Zone (SIZ), both of which can entail additional local requirements.

CONSTRUCTION-IN-PROGRESS

Though frequently coupled with other programs, this exemption can be used on its own:

- New property of non-utility facility is exempt while under construction and not operational on January 1 (with April 1 filings) for up to two successive years.
- It is generally valid for manufacturing anywhere in Oregon, including heavy machinery & equipment still being installed at the unoccupied facility on January 1.
- The standard enterprise zone version of this construction-period exemption can fully cover all qualified property that is still not in service in the case of any locally authorized project (except hotel/resorts).

BUSINESS EXPANSION PROGRAM

The state may award forgivable loans equivalent to the estimated increase in personal income tax revenue over two years that results from new, high-wage hires:

- Company needs to propose hiring 50 new employees in Oregon and already employ at least 150 overall.
- Annual pay for each of the 50 new employees must equal or exceed 130% (rural) or 150% (urban) of the state or county average wage, whichever is less.
- Available only for businesses in traded-sector industries, which can include corporate headquarters, but not retail.
- Business Oregon administers program awards based on a performance agreement, that requires (among other things):
  - Funds are repaid proportional with the company's falling short of job or pay targets over at least two years;
  - Hiring results in additional payroll in Oregon that is not, for example, offset by layoffs elsewhere; and
  - Company commits to consult with Oregon vendors before contracting to purchase goods or services.

BUSINESS OREGON

Main Office:
775 Summer Street, NE, Suite 200
Salem, OR 97301
www.oregon4biz.com
503-986-0123

Business Oregon is an agency of the state of Oregon.

Other State Income Tax Credits— See www.oregon.gov/DOR/programs/businesses/ Pages/corp-requirements.aspx
for more specialized credits.

LONG-TERM RURAL ENTERPRISE ZONE FACILITY INCENTIVES

Available in most rural enterprise zones, this has proven to be a critical tool in attracting very special projects to these communities:

- New facility property receives full relief from taxes, subject to local approval and agreement with the zone sponsor.
- The abatement covers the entire construction period and then 7 to 15 years after the facility is operational.
- Mandatory minimums that vary by location are for:
  - Amount of total investment costs by the end of the first year of operations, and
  - Number of new, full-time employees at the facility that the certified business firm hires within three or five years after operations have commenced and then maintains throughout the tax abatement period.
- Annual employee compensation at the facility (inclusive of financial/fringe benefits) needs to stay at or above 130% or 150% of county average wage, as first achieved by the fifth full year of operations, subject to location and timing of zone sponsor agreement, and for the remainder of the abatement period, the average wages of facility employees must also be at least 100% of the county's current average annual wage.
- ~~In addition, if locally certified before July 1, 2018, the Governor may approve special tax credits equal to 62.5% of gross payroll to be claimed over 5 to 15 years against state corporate excise/income tax liabilities relating to the facility, over and above a minimum annual tax payment, which might be as high as $1 million. Unused credits are deferrable for up to five additional years.~~

ELECTRONIC COMMERCE ENTERPRISE ZONES

Up to 15 enterprise zones provide enhanced benefits for electronic commerce and related activities:

- ~~Businesses in these zones can claim a state income tax credit of up to $2 million per year.~~
- ~~The credit equals 25% of the investment in capital assets for use in electronic commerce operations, for which investment costs are incurred before the end of the company's 2017 income tax year.~~
- ~~Credits are claimed directly on the Oregon tax return, and unused credits are deferrable for up to five additional years.~~
- The business needs to also qualify for the standard exemption on any associated property, which includes additional, lower-cost items of personal property equipment.

OREGON INVESTMENT ADVANTAGE

This program aids businesses in starting or locating new types of facility operations in a number of Oregon counties:

- It does this through a unique income tax subtraction, potentially eliminating the state tax liability for the facility or even for most of the business firm, over as many as 10 consecutive income tax years years.
- Facility site needs to be industrially zoned or within the urban growth boundary of a city with less than 15,000 population, as well as in one of many Oregon counties that are eligible when the project is proposed through the submission of an application for preliminary certification before new hiring or facility improvements commence.
- Qualification requires the creation of at least five new full-time, year-round jobs — who receive minimum annual compensation (with benefits) that is at least 100%, 130% or 150% of the county per capita income as set at the time of the preliminary certification application, and whose average wage equals or exceeds the current county average wage each year.
- Facility operations at the facility need to be the first of their kind in Oregon for that company, but existing Oregon businesses with new ventures have been major program users.
- Certification both preliminarily (proposed project) and for each tax year is through Business Oregon.

Average Wages by County

Ref. No.	Area	Annual: Avg. Wage (2017)*	110% of Avg. Wage	115% of Avg. Wage	130% of Avg. Wage	150% of Avg. Wage	County outside MSA†
1	**Oregon Statewide**	$51,117	$56,229	$58,785	$66,452	$76,676	..
2	Baker County	$35,760	$39,336	$41,124	$46,488	$53,640	Yes
3	Benton County	$50,076	$55,084	$57,587	$65,099	$75,114	
4	Clackamas County	$51,724	$56,896	$59,483	$67,241	$77,586	
5	Clatsop County	$36,799	$40,479	$42,319	$47,839	$55,199	Yes
6	Columbia County	$38,808	$42,689	$44,629	$50,450	$58,212	
7	Coos County	$38,032	$41,835	$43,737	$49,442	$57,048	Yes
8	Crook County	$47,029	$51,732	$54,083	$61,138	$70,544	Yes
9	Curry County	$34,697	$38,167	$39,902	$45,106	$52,046	Yes
10	Deschutes County	$44,206	$48,627	$50,837	$57,468	$66,309	
11	Douglas County	$39,763	$43,739	$45,727	$51,692	$59,645	Yes
12	Gilliam County	$39,398	$43,338	$45,308	$51,217	$59,097	Yes
13	Grant County	$38,056	$41,862	$43,764	$49,473	$57,084	Yes
14	Harney County	$36,661	$40,327	$42,160	$47,659	$54,992	Yes
15	Hood River County	$38,090	$41,899	$43,804	$49,517	$57,135	Yes
16	Jackson County	$41,419	$45,561	$47,632	$53,845	$62,129	
17	Jefferson County	$38,002	$41,802	$43,702	$49,403	$57,003	Yes
18	Josephine County	$35,907	$39,498	$41,293	$46,679	$53,861	
19	Klamath County	$38,231	$42,054	$43,966	$49,700	$57,347	Yes
20	Lake County	$39,059	$42,965	$44,918	$50,777	$58,589	Yes
21	Lane County	$42,644	$46,908	$49,041	$55,437	$63,966	
22	Lincoln County	$36,730	$40,403	$42,240	$47,749	$55,095	Yes
23	Linn County	$41,556	$45,712	$47,789	$54,023	$62,334	
24	Malheur County	$35,473	$39,020	$40,794	$46,115	$53,210	Yes
25	Marion County	$44,756	$49,232	$51,469	$58,183	$67,134	
26	Morrow County	$50,354	$55,389	$57,907	$65,460	$75,531	Yes
27	Multnomah County	$57,173	$62,890	$65,749	$74,325	$85,760	
28	Polk County	$36,282	$39,910	$41,724	$47,167	$54,423	
29	Sherman County	$45,632	$50,195	$52,477	$59,322	$68,448	Yes
30	Tillamook County	$38,444	$42,288	$44,211	$49,977	$57,666	Yes
31	Umatilla County	$38,641	$42,505	$44,437	$50,233	$57,962	Yes
32	Union County	$38,095	$41,905	$43,809	$49,524	$57,143	Yes
33	Wallowa County	$34,884	$38,372	$40,117	$45,349	$52,326	Yes
34	Wasco County	$38,572	$42,429	$44,358	$50,144	$57,858	Yes
35	Washington County	$68,168	$74,985	$78,393	$88,618	$102,252	
36	Wheeler County	$29,013	$31,914	$33,365	$37,717	$43,520	Yes
37	Yamhill County	$40,552	$44,607	$46,635	$52,718	$60,828	

* Average Wage, Oregon Employment Department, QCEW

† MSA = federal metropolitan statistical area