

# House Bill 2782

Sponsored by Representative SMITH G

## SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Requires, for purposes of extending tax benefits of enterprise zones, rural renewable energy development zones and long-term tax incentives for rural enterprise zones beyond three years, zone sponsor to consult with public safety agencies within whose boundaries any portion of tax-benefited property of business firm is located before entering into written agreement with business firm.

Takes effect on 91st day following adjournment sine die.

## A BILL FOR AN ACT

1  
2 Relating to consultation with public safety agencies by economic development zone sponsors; creat-  
3 ing new provisions; amending ORS 285C.050, 285C.130, 285C.160, 285C.165, 285C.400, 285C.403,  
4 285C.406 and 285C.409; and prescribing an effective date.

5 **Be It Enacted by the People of the State of Oregon:**

6 **SECTION 1.** ORS 285C.160 is amended to read:

7 285C.160. (1) An eligible business firm seeking authorization under ORS 285C.140 and the spon-  
8 sor of the enterprise zone in which the firm intends to invest may enter into a written agreement  
9 to extend the period during which the qualified property is exempt from taxation under ORS  
10 285C.175 if the firm complies with the terms of the agreement.

11 (2) The period for which the qualified property is to continue to be exempt must be set forth in  
12 the agreement and may not exceed two additional tax years.

13 **(3) Before entering into a written agreement under this section, the sponsor shall consult**  
14 **with any public safety agency within whose boundaries any portion of the qualified property**  
15 **of the firm is located.**

16 [(3)] (4) In order for an agreement under this section to extend the period of exemption, the  
17 agreement must be executed on or before the date on which the firm is authorized, and:

18 (a) If the enterprise zone is a rural enterprise zone or an urban enterprise zone located inside  
19 a metropolitan statistical area of fewer than 400,000 residents, the agreement must require that the  
20 firm:

21 (A)(i) Annually compensate all new employees hired by the firm at an average rate of at least  
22 150 percent of the county average annual wage for each assessment year during the tax exemption  
23 period, as determined at the time of authorization; or

24 (ii) If the enterprise zone is located in a qualified rural county, annually compensate all new  
25 employees hired by the firm at an average rate of at least 130 percent of the county average annual  
26 wage for each assessment year during the tax exemption period, as determined at the time of au-  
27 thorization; and

28 (B) Meet any additional requirement that the sponsor may reasonably request.

29 (b) Notwithstanding paragraph (a)(A) of this subsection, the average wage received by the newly  
30 hired employees must equal or exceed 100 percent of the average wage in the county.

**NOTE:** Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted.  
New sections are in **boldfaced** type.

1 (c) If the enterprise zone is an urban enterprise zone located inside a metropolitan statistical  
 2 area of 400,000 residents or more, the agreement must require that the firm meet any additional  
 3 requirement the sponsor may reasonably require.

4 [(4)] (5) If a firm enters into an agreement under this section that includes a compensation re-  
 5 quirement under subsection [(3)(a)(A)] (4)(a)(A) of this section and the firm subsequently submits  
 6 one or more statements of continued intent under ORS 285C.165, notwithstanding the terms of the  
 7 agreement made under this section, for each statement of continued intent submitted, the county  
 8 average annual wage under subsection [(3)(a)(A)] (4)(a)(A) of this section shall be adjusted to a level  
 9 that is current with the statement.

10 **SECTION 2.** ORS 285C.050 is amended to read:

11 285C.050. As used in ORS 285C.050 to 285C.250, unless the context requires otherwise:

12 (1) "Assessment date" and "assessment year" have the meanings given those terms in ORS  
 13 308.007.

14 (2) "Authorized business firm" means an eligible business firm that has been authorized under  
 15 ORS 285C.140.

16 (3) "Business firm" means a person operating or conducting one or more trades or businesses,  
 17 a people's utility district organized under ORS chapter 261 or a joint operating agency formed under  
 18 ORS chapter 262, but does not include any other governmental agency, municipal corporation or  
 19 nonprofit corporation.

20 (4) "County average annual wage" means:

21 (a) The most recently available average annual covered payroll for the county in which the en-  
 22 terprise zone is located, as determined by the Employment Department; or

23 (b) If the enterprise zone is located in more than one county, the highest county average annual  
 24 wage as determined under paragraph (a) of this subsection.

25 (5) "Electronic commerce" means engaging in commercial or retail transactions predominantly  
 26 over the Internet or a computer network, utilizing the Internet as a platform for transacting busi-  
 27 ness, or facilitating the use of the Internet by other persons for business transactions, and may be  
 28 further defined by the Oregon Business Development Department by rule.

29 (6) "Eligible business firm" means a firm engaged in an activity described under ORS 285C.135  
 30 that may file an application for authorization under ORS 285C.140.

31 (7) "Employee" means a person who works more than 32 hours per week, but does not include  
 32 a person with a temporary or seasonal job or a person hired solely to construct qualified property.

33 (8) "Enterprise zone" means one of the 30 areas designated or terminated and redesignated by  
 34 order of the Governor under ORS 284.160 (1987 Replacement Part) before October 3, 1989, one of the  
 35 areas designated by the Director of the Oregon Business Development Department under ORS  
 36 285C.080 before October 5, 2015, an area designated under ORS 285C.065, a federal enterprise zone  
 37 area designated under ORS 285C.085, an area designated under ORS 285C.250 or a reservation en-  
 38 terprise zone designated, or a reservation partnership zone cosponsored, under ORS 285C.306.

39 (9) "Federal enterprise zone" means any discrete area wholly or partially within this state that  
 40 is designated as an empowerment zone, an enterprise community, a renewal community or some  
 41 similar designation for purposes of improving the economic and community development of the area.

42 (10) "First-source hiring agreement" means an agreement between an authorized business firm  
 43 and a publicly funded job training provider whereby the provider refers qualified candidates to the  
 44 firm for new jobs and job openings in the firm.

45 (11) "In service" means being used or occupied or fully ready for use or occupancy for com-

1 mercial purposes consistent with the intended operations of the business firm as described in the  
 2 application for authorization.

3 (12) “Modification” means modernization, renovation or remodeling of an existing building,  
 4 structure or real property machinery or equipment.

5 (13) “New employees hired by the firm”:

6 (a) Includes only those employees of an authorized business firm engaged for a majority of their  
 7 time in eligible operations.

8 (b) Does not include individuals employed in a job or position that:

9 (A) Is created and first filled after December 31 of the first tax year in which qualified property  
 10 of the firm is exempt under ORS 285C.175;

11 (B) Existed prior to the submission of the relevant application for authorization; or

12 (C) Is performed primarily at a location outside of the enterprise zone.

13 (14) “Publicly funded job training provider” includes but is not limited to a community college,  
 14 a service provider under the federal Workforce Innovation and Opportunity Act, or a similar pro-  
 15 gram.

16 (15) **“Public safety agency” means any unit of state or local government, including a**  
 17 **taxing district, that provides or has authority to provide fire fighting, police, ambulance or**  
 18 **emergency medical services.**

19 [(15)] (16) “Qualified business firm” means a business firm described in ORS 285C.200, the qual-  
 20 ified property of which is exempt from property tax under ORS 285C.175.

21 [(16)] (17) “Qualified property” means property described under ORS 285C.180.

22 [(17)] (18) “Qualified rural county” means a county:

23 (a) That is outside all metropolitan statistical areas, as defined by the most recent federal  
 24 decennial census; and

25 (b) In which, on the most recently certified property tax assessment roll, the total property taxes  
 26 imposed by all taxing districts within the county are equal to or greater than 1.3 percent of the total  
 27 assessed value of all taxable property located in the county.

28 [(18)] (19) “Rural enterprise zone” means:

29 (a) An enterprise zone located in an area of this state in which an urban enterprise zone could  
 30 not be located; or

31 (b) A reservation enterprise zone designated, or a reservation partnership zone cosponsored,  
 32 under ORS 285C.306.

33 [(19)] (20) “Sparsely populated county” means a county with a density of 100 or fewer persons  
 34 per square mile, based on the most recently available population figure for the county from the  
 35 Portland State University Population Research Center.

36 [(20)] (21) “Sponsor” means:

37 (a) The city, county or port, or any combination of cities, counties or ports, that received ap-  
 38 proval of an enterprise zone under ORS 284.150 and 284.160 (1987 Replacement Part), under ORS  
 39 285C.080 before October 5, 2015, or under ORS 285C.085 or 285C.250 or that designated an enterprise  
 40 zone under ORS 285C.065 or 285C.250;

41 (b) The tribal government, in the case of a reservation enterprise zone;

42 (c) The tribal government and the cosponsoring city, county or port, in the case of a reservation  
 43 partnership zone; or

44 (d) A city, county or port that joined the enterprise zone through a boundary change under ORS  
 45 285C.115 (6) or a port that joined the enterprise zone under ORS 285C.068.

1        [(21)] (22) “Tax year” has the meaning given that term in ORS 308.007.

2        [(22)] (23) “Urban enterprise zone” means an enterprise zone in a metropolitan statistical area,  
 3 as defined by the most recent federal decennial census, that is located inside a regional or metro-  
 4 politan urban growth boundary.

5        [(23)] (24) “Year” has the meaning given that term in ORS 308.007.

6        **SECTION 3.** ORS 285C.130 is amended to read:

7        285C.130. The assessor of a county within which an enterprise zone is located shall:

8        (1) Assist the sponsor, the local zone manager appointed by the sponsor and business firms in  
 9 determining whether property will qualify for a property tax exemption under ORS 285C.175.

10        (2) Review and approve or deny applications from eligible business firms for authorization under  
 11 ORS 285C.140.

12        (3) Process claims for property tax exemptions filed under ORS 285C.220 and exempt the quali-  
 13 fied property of authorized business firms from ad valorem property taxation in accordance with  
 14 ORS 285C.050 to 285C.250.

15        (4) Take action necessary under ORS 285C.240.

16        (5) Submit a written report to the Department of Revenue on or before July 1 of each assessment  
 17 year. The report for each enterprise zone, or portion of a zone that is located in the county, shall  
 18 include the following information, organized by business firm:

19        (a) The assessor’s estimate of the assessed value of qualified property that was exempt under  
 20 ORS 285C.175 for the previous tax year and the taxes that would have been imposed on the qualified  
 21 property, as entered on the assessment and tax roll under ORS 285C.175 (7).

22        (b) The annual average number of employees of the firm within the enterprise zone during the  
 23 previous assessment year, as reported on the exemption claim filed under ORS 285C.220.

24        (c) The annual average compensation for the previous assessment year of new employees hired  
 25 by the firm within the enterprise zone, if the firm is subject to the annual compensation require-  
 26 ments of ORS 285C.160 [(3)] (4), as reported on the exemption claim filed under ORS 285C.220.

27        (d) The assessor’s estimate of the assessed value, for the current tax year, of qualified property  
 28 that was exempt under ORS 285C.175 for the previous tax year and that is not exempt under ORS  
 29 285C.175 for the current tax year.

30        (e) The total investment cost of qualified property first reported on the exemption claim filed  
 31 under ORS 285C.220 that includes a property schedule submitted by the business firm pursuant to  
 32 ORS 285C.225 for the current tax year.

33        (f) The current number of employees of the firm, as reported on the exemption claim filed under  
 34 ORS 285C.220 and described in paragraph (e) of this subsection.

35        (g) Any other information the assessor or the Department of Revenue considers appropriate.

36        (6) Send a copy of a report prepared under subsection (5) of this section to the sponsor of the  
 37 enterprise zone and to the Oregon Business Development Department.

38        **SECTION 4.** ORS 285C.165 is amended to read:

39        285C.165. (1) In the case of an authorized business firm that has not yet claimed the exemption  
 40 under ORS 285C.175 on qualified property:

41        (a) After the January 1, but on or before the April 1, that first occurs more than two years after  
 42 the application for authorization is approved, an authorized business firm shall submit a written  
 43 statement to both the sponsor and the county assessor attesting to the firm’s continued intent to  
 44 complete the proposed investment and seek the enterprise zone exemption. The statement may in-  
 45 clude significant changes to the descriptions and estimates of anticipated qualified property or em-

1 ployment. If the firm is subject to a compensation requirement under ORS 285C.160 [(3)(a)(A)]  
 2 (4)(a)(A), the statement shall acknowledge that the applicable county average annual wage in the  
 3 agreement is updated to equal the level that is current with the statement.

4 (b) Every two years after the submission of a statement described in paragraph (a) of this sub-  
 5 section, the firm shall submit another such statement. The statement must be submitted after Janu-  
 6 ary 1, but on or before April 1 of that year.

7 (2) If the firm fails to submit a statement required under subsection (1) of this section, the au-  
 8 thorization of the firm shall be considered inactive. An inactive authorized business firm may claim  
 9 the exemption under ORS 285C.175 only as provided under subsection (3) of this section.

10 (3)(a) An inactive authorized business firm may file an exemption claim under ORS 285C.220 only  
 11 if the claim includes a filing fee equal to the greater of \$200 or one-tenth of one percent of the total  
 12 investment cost of the qualified property listed in the property schedule that is filed with the claim  
 13 and is subject to the exemption.

14 (b) The filing fee required under this subsection is in addition to and not in lieu of any other  
 15 required filing fee.

16 (c) An exemption under ORS 285C.175 may not be granted if the filing fee does not accompany  
 17 the claim.

18 (d) Any filing fee collected under this subsection shall be deposited to the county general fund.

19 (4) If an inactive authorized business firm is subject to a compensation requirement under ORS  
 20 285C.160 [(3)(a)(A)] (4)(a)(A) and files a claim for exemption under ORS 285C.220 in the manner  
 21 prescribed in subsection (3) of this section, notwithstanding the terms of the agreement executed  
 22 under ORS 285C.160, the applicable county average annual wage shall be updated to equal the level  
 23 that is current with the date of the filing of the claim.

24 (5) This section applies only until the enterprise zone is terminated. Following zone termination,  
 25 ORS 285C.245 applies.

26 **SECTION 5.** ORS 285C.403 is amended to read:

27 285C.403. (1) Any business firm proposing to apply for the tax exemption provided under ORS  
 28 285C.409 shall, before the commencement of construction or installation of property or improvements  
 29 at a location in a rural enterprise zone and before the hiring of employees, apply for certification  
 30 with the sponsor of the zone and with the county assessor of the county or counties in which the  
 31 zone is located. The application shall be made on a form prescribed by the Department of Revenue.

32 (2) The application shall contain the following information:

33 (a) A description of the firm's proposed business operations and facility in the rural enterprise  
 34 zone;

35 (b) A description and estimated cost or value of the property or improvements to be constructed  
 36 or installed at the facility;

37 (c) An estimate of the number of employees at the facility that will be hired by the firm;

38 (d) A commitment to meet the applicable requirements of ORS 285C.412;

39 (e) A commitment to satisfy all additional conditions agreed to pursuant to the written agree-  
 40 ment between the rural enterprise zone sponsor and the business firm under subsection [(3)(c)] (3)(d)  
 41 of this section; and

42 (f) Any other information considered necessary by the Department of Revenue.

43 (3) The sponsor and the county assessor shall certify the business firm by approving the appli-  
 44 cation if the sponsor and the county assessor determine that all of the following requirements have  
 45 been met:

1 (a) The governing body of the county and city in which the facility is located has adopted a  
2 resolution approving the property tax exemption for the facility.

3 (b) The business firm has committed to meet the applicable requirements of ORS 285C.412.

4 (c) **Before entering into a written agreement under paragraph (d) of this subsection, the**  
5 **sponsor shall consult with any public safety agency within whose boundaries any portion of**  
6 **the facility of the business firm is located.**

7 [(c)] (d) The business firm has entered into a written agreement with the sponsor of the rural  
8 enterprise zone that may include any additional requirements that the sponsor may reasonably re-  
9 quest, including but not limited to contributions for local services or infrastructure benefiting the  
10 facility. The written agreement shall state the number of consecutive tax years for which the facil-  
11 ity, following commencement of operations, is to be exempt from property tax under ORS 285C.409.  
12 The agreement may not provide for a period of exemption that is less than seven consecutive tax  
13 years or more than 15 consecutive tax years. If the agreement is silent on the number of tax years  
14 for which the facility is to be exempt following placement in service, the exemption shall be for  
15 seven consecutive tax years.

16 [(d)] (e) When the written agreement required under paragraph [(c)] (d) of this subsection is  
17 executed, the facility is located in:

18 (A) A qualified rural county; or

19 (B) A county with chronically low income or chronic unemployment, based on the most recently  
20 revised annual data available.

21 (4) The approval of an application by both the sponsor and the county assessor under subsection  
22 (3) of this section shall be prima facie evidence that the business firm will qualify for the property  
23 tax exemption under ORS 285C.409.

24 (5) The sponsor and the county assessor shall provide copies of an approved application to the  
25 applicant, the Department of Revenue and the Oregon Business Development Department.

26 (6) If the sponsor or the county assessor fails or refuses to certify the business firm, the business  
27 firm may appeal to the Oregon Tax Court under ORS 305.404 to 305.560. The business firm shall  
28 provide copies of the firm's appeal to the sponsor, the county assessor, the Oregon Business Devel-  
29 opment Department and the Department of Revenue.

30 **SECTION 6.** ORS 285C.400 is amended to read:

31 285C.400. As used in ORS 285C.400 to 285C.420:

32 (1) "Business firm" has the meaning given that term in ORS 285C.050.

33 (2) "Certified business firm" means a business firm that has been certified under ORS 285C.403.

34 (3) "County with chronically low income or chronic unemployment" means, based on the most  
35 recently revised annual average unemployment rate or annual per capita income levels available, a  
36 county in which:

37 (a) The median ratio of the per capita personal income of the county to the equivalent annual  
38 personal income figure of the entire United States for each year, as reported by the Bureau of  
39 Economic Analysis of the United States Department of Commerce, is equal to or less than 0.75 over  
40 the last 10 years;

41 (b) The median ratio of the unemployment rate of the county to the equivalent rate of the entire  
42 United States for each year is at least 1.3 over the last 20 years or over the last 10 years; or

43 (c) The population of the county has experienced a negative net migration, irrespective of na-  
44 tural population change, since the most recent federal decennial census occurring three or more  
45 years prior to the current estimated population figure for the county, based on available population

1 statistics.

2 (4) "Facility" means the land, real property improvements and personal property that are used:

3 (a) At a location in a rural enterprise zone that is identified in the application for certification  
4 under ORS 285C.403; and

5 (b) In those business operations of the business firm that are the subject of the application for  
6 certification under ORS 285C.403.

7 (5) "Public safety agency" means any unit of state or local government, including a tax-  
8 ing district, that provides or has authority to provide fire fighting, police, ambulance or  
9 emergency medical services.

10 [(5)] (6) "Qualified rural county" means a county:

11 (a) That is outside all metropolitan statistical areas, as defined by the most recent federal  
12 decennial census; and

13 (b) In which, on the most recently certified property tax assessment roll, the total property taxes  
14 imposed by all taxing districts within the county are equal to or greater than 1.3 percent of the total  
15 assessed value of all taxable property located in the county.

16 [(6)] (7) "Rural enterprise zone" has the meaning given that term in ORS 285C.050.

17 **SECTION 7.** ORS 285C.406 is amended to read:

18 285C.406. In order for a taxpayer to claim the property tax exemption under ORS 285C.409 or  
19 a corporate excise or income tax credit under ORS 317.124:

20 (1) The written agreement between the business firm and the rural enterprise zone sponsor that  
21 is required under ORS 285C.403 [(3)(c)] (3)(d) must be entered into prior to the termination of the  
22 enterprise zone under ORS 285C.245; and

23 (2)(a) For the purpose of the property tax exemption, the business firm must obtain certification  
24 under ORS 285C.403 on or before June 30, 2025; or

25 (b) For the purpose of the corporate excise or income tax credit, the business firm must obtain  
26 certification under ORS 285C.403 on or before June 30, 2018.

27 **SECTION 8.** ORS 285C.409 is amended to read:

28 285C.409. (1) A facility of a certified business firm is exempt from ad valorem property taxation:

29 (a) For the first tax year following the calendar year in which the business firm is certified  
30 under ORS 285C.403 or after which construction or reconstruction of the facility commences,  
31 whichever event occurs later;

32 (b) For each subsequent tax year in which the facility is not yet in service as of the assessment  
33 date; and

34 (c) For a period of at least seven consecutive tax years but not more than 15 consecutive tax  
35 years, as provided in the written agreement between the business firm and the rural enterprise zone  
36 sponsor under ORS 285C.403 [(3)(c)] (3)(d), if the facility satisfies the requirements of ORS 285C.412.  
37 The period described in this paragraph shall commence as of the first tax year in which the facility  
38 is in service as of the assessment date.

39 (2) An exemption under this section may not be allowed for real or personal property that has  
40 received a property tax exemption under ORS 285C.170 or 285C.175.

41 (3) For each tax year that the facility is exempt from taxation under this section, the county  
42 assessor shall:

43 (a) Enter on the assessment and tax roll, as a notation, the real market value and assessed value  
44 of the facility.

45 (b) Enter on the assessment and tax roll, as a notation, the amount of tax that would be due if

1 the facility were not exempt.

2 (c) Indicate on the assessment and tax roll that the property is exempt and is subject to poten-  
3 tial additional taxes as provided in ORS 285C.420 by adding the notation “enterprise zone exemption  
4 (potential additional tax).”

5 (4) The amount determined under subsection (3)(b) of this section and the name of the business  
6 firm shall be reported to the Department of Revenue on or before December 31 of each tax year so  
7 that the department may compute the distributions described in ORS 317.131.

8 (5) The following property may not be exempt from property taxation under this section:

9 (a) Land.

10 (b) Any property that existed at the facility on an assessment date before the assessment date  
11 for the first tax year for which property of the firm is exempt under this section.

12 **SECTION 9. The amendments to ORS 285C.050, 285C.130, 285C.160, 285C.165, 285C.400,**  
13 **285C.403, 285C.406 and 285C.409 by sections 1 to 8 of this 2019 Act apply to written agreements**  
14 **entered into on or after the effective date of this 2019 Act.**

15 **SECTION 10. This 2019 Act takes effect on the 91st day after the date on which the 2019**  
16 **regular session of the Eightieth Legislative Assembly adjourns sine die.**

17