

## HB 2343 STAFF MEASURE SUMMARY

### House Committee On Business and Labor

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**Prepared By:** Jan Nordlund, LPRO Analyst

**Meeting Dates:** 2/8

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#### **WHAT THE MEASURE DOES:**

Authorizes governing body of enterprise zone sponsor to adopt a resolution to suspend employment requirements imposed on businesses seeking property tax exemption if statewide employment declines. Establishes 30-day window following effective date of the Act for governing body of every sponsor in the enterprise zone to adopt such resolution. Tolls the deadline for claiming exemption for additional property while employment requirements are suspended.

Authorizes governing body of enterprise zone sponsor to adopt a resolution allowing tax exemption to qualified property of authorized business that would not otherwise meet certain requirement as a result of public health crisis. Provides that procedures, standards, and criteria for tax exemption contained in resolution do not apply to exemptions for which the final property tax year ends before July 1, 2021. Allows such resolution to be adopted within one year of effective date of the Act or within \_\_\_ days following the end the declared state of emergency, whichever occurs first.

Takes effect 91st day following adjournment sine die.

#### **ISSUES DISCUSSED:**

#### **EFFECT OF AMENDMENT:**

No amendment.

#### **BACKGROUND:**

Enterprise zones are sponsored and administered by a city, county, tribe, port, or any combination of such governments. State statutes specify the economic hardship criteria that must be demonstrated for zone designation. A zone must have 50 percent or more households with incomes below 80 percent of the state median, an unemployment rate that is two or more percentage points higher than the state unemployment rate, or similar severe economic hardship. Under the standard enterprise zone program, an eligible business receives a three-year total exemption from the property taxes normally assessed on new buildings, structures, and equipment if it locates or expands within an enterprise zone. To qualify for the property tax exemption, a business needs to:

- increase full-time, permanent employment in the zone by the greater of one new job or 10 percent;
- maintain this employment level during the exemption period;
- have no concurrent job losses elsewhere in the state;
- enter into a first-source hiring agreement with local job training providers; and
- satisfy any additional local conditions.

The tax abatement may be extended up to two years if the project has a written local zone sponsor agreement and it meets new employee compensation and wage requirements. The business may seek a tax exemption for additional qualified property if the additional property is placed in service within two years of the business being granted a tax exemption for qualified property.

The zone's sponsor may suspend the employment requirements for up to two years if statewide employment drops and the county's unemployment rate is at least 2 percentage points greater than the comparable statewide

rate.

The impact of COVID-19 may have hindered a business's ability to meet the employment requirements necessary to receive the property exemption through the enterprise zone program.

PRELIMINARY