HB 2068 / SB 146

Property Tax Exemption: Cap on Central Assessment

Joint Committee on Tax Expenditures

LRO | 3/24/2023

Property Tax Central Assessment

- ORS requires most property assessment in Oregon to be done by county assessors. DOR is required to assess "centrally assessed properties" as defined in ORS 308.505-308.681.
- Centrally assessed property is widely referred to as "utility property". Categories of property subject to central assessment include (ORS 308.515, 308.516):
  - Communication
  - Heating
  - Gas
  - Electric
  - Pipeline gas & oil
  - Railroad transportation
  - Railroad switching and terminal
  - Electric rail transportation
  - Private railcar transportation
  - Air transportation
  - Water transportation
  - Air or railway express
  - Toll bridge
- Many of these companies have property across county boundaries and centrally assessed value is apportioned by county.
- 61 companies received this exemption in FY 2021-22, based on actual data from DOR. Confidentiality requirements limit information DOR can disclose on these companies.

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← **Bold** categories are reported in DOR publication

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Recent History of Central Assessment

- Beginning with the 2009-10 property tax year, DOR began treating cable television and internet access services as “communication” services
- Litigation followed (Comcast v. DOR)
  - Supreme Court decision in 2014 that Comcast’s cable television and internet access services are data transmission services and are subject to central assessment
- Exemption became law in 2015 with passage of SB 611.
  - In 2019, HB 2130 moved the sunset date to June 30, 2025.

Current Property Tax Exemption

- Purpose of tax exemption: The statute that allows this expenditure does not explicitly state a purpose. Exemption provides tax relief for centrally assessed companies, primarily those with high levels of intangible property value (e.g., telecommunication companies). It creates a tax environment that incentivizes investment in Oregon by centrally assessed companies.

Current Property Tax Exemption (cont.)

- A centrally assessed company under ORS 308.515(1) can receive exemption on any value above 130 percent of historical or original cost of company's real property and tangible personal property included in unit subject to central assessment:

  Exemption = (Unitary RMV – value exempt under ORS 308.671) – (HC × 130%)

  - *Unitary RMV*: Real market value of company's real property and tangible and intangible personal property included in 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 unit subject to central assessment

- Additionally, amount of exemption may not exceed 95 percent of RMV of company's real property and tangible and intangible personal property included in unit subject to central assessment:

  Exemption ≤ Unitary RMV × 95%

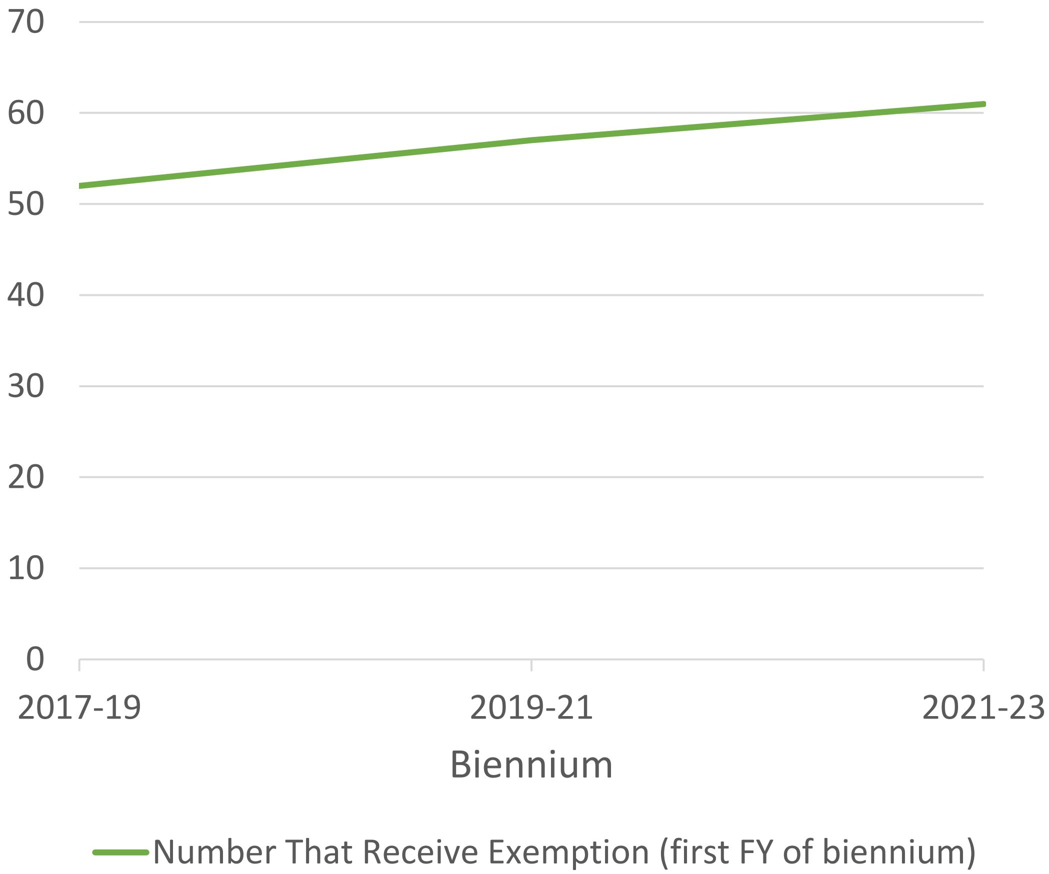
What HB 2068 & SB 147 Do

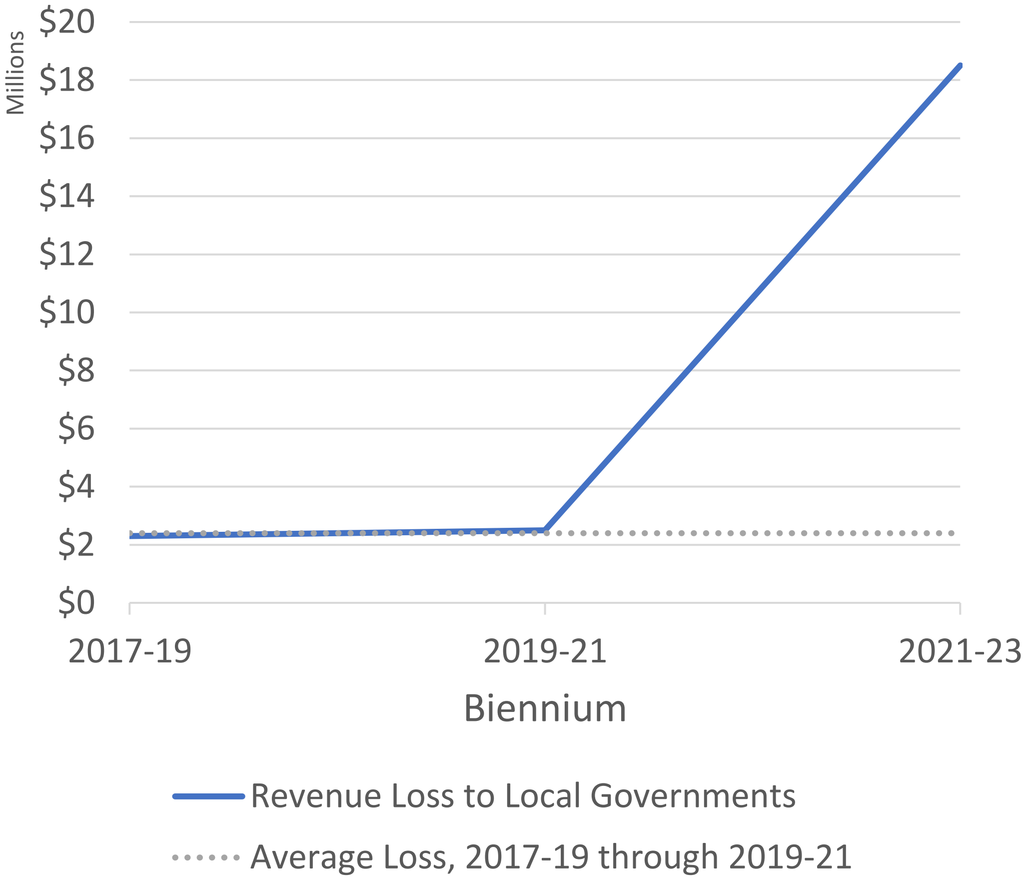
- Moves sunset date of partial property tax exemption for centrally assessed companies by seven years, from July 1, 2025 to July 1, 2032. It takes effect January 1, 2024.

Current use of exemption

- Revenue impact: $18.5 million loss in property tax revenue in 2021-23 biennium
- Who benefits: In FY 2021-22, 61 companies received this exemption. Assessed value of exempt property for these companies was $563 million, primarily from those with higher amounts of intangible value.

Current use of exemption





Data source: Department of Revenue, 2023-25 Tax Expenditure Report

Policy Considerations

- There are no state direct spending programs that provide similar benefits.

- An advantage of tax exemption over a direct expenditure is there is no lost opportunity of funds committed to a project that is not constructed, nor is there any lost revenue.

- To continue an exemption that has an explicit sunset, the sunset may need to be moved repeatedly.

- A sunset in an even-numbered year will not have a gap in program provision, like there can be with a sunset in an odd-numbered year.

Legislative Revenue Office

https://www.oregonlegislature.gov/lro

503-986-1266