

**REVENUE IMPACT OF
PROPOSED LEGISLATION**
82nd Oregon Legislative Assembly
2023 Regular Session
Legislative Revenue Office

Bill Number: HB 2199 - A
Revenue Area: Property Tax
Economist: Beau Olen
Date: 05/15/2023

Only Impacts on Original or Engrossed Versions are Considered Official

Measure Description:

Extends program by moving sunset from June 30, 2025 to June 30, 2030. Requires agreement between zone sponsor and business firm may not become effective before zone sponsor makes terms of agreement public on zone sponsor website. Requires Oregon Business Development Department to provide technical assistance to zone sponsors and to submit report to Legislative Assembly on enterprise zone program transparency. Requires zone sponsor intending to enter into agreement with business firm that may increase infrastructure use outside zone boundaries to provide timely notice of intent to adjacent local governments. Excludes school district from property tax exemption for earlier of exemption extension or sixth year of exemption, for property tax years beginning on or after July 1, 2024. Effective 91st day after sine die.

Revenue Impact (in \$Millions):

	Fiscal Year		Biennium		
	2023-24	2024-25	2023-25	2025-27	2027-29
Local Governments	\$0	\$43.4	\$43.4	\$5.7	-\$83.8

Impact Explanation:

The revenue impact of House Bill (HB) 2199-1, which subtracts revenue in the status quo from revenue with HB 2199-1, is \$43.4 million in the 2023-25, \$5.7 million in 2025-27, and -\$83.8 million in 2027-29. The revenue impact is due to the extension of the program from June 30, 2025, to June 30, 2030, and the ending of the exemption of school district taxes for an exemption extension or after the fifth year of exemption. The exemption extension applies to standard enterprise zones (SEZ), which can be extended to a fourth and fifth year. Continued exemption after the fifth year applies to long term rural enterprise zones (LTREZ), which provide up to a 15-year exemption. The impact of the program extension only is \$0 in 2023-25, -\$97.4M in 2025-27, and -\$200M in 2027-29. The school tax applies to property tax years beginning on or after July 1, 2024. The impact on school tax is \$43.4M in 2023-25, \$103M in 2025-27, and \$116M in 2027-29. Although reservation enterprise zones and reservation partnership zones do not have a sunset, there are no zones that currently have this designation, and therefore all zones sunset at the same time.

The program extension will extend the reduction in school district revenue, thereby extending the reduction in this component of school funding formula revenue. However, the ending of the exemption of school district taxes, for an exemption extension or after the fifth year of exemption, will increase school funding formula revenue compared to a program extension only.

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Some levies, mostly bond levies to repay debt, do not have a fixed tax rate and instead calculate the tax rate each year by dividing the amount of tax revenue needed that year across the value of all taxable properties. In these cases, if a property is exempt from tax the effect is to raise the overall tax rate on the remaining taxable properties. Therefore, the final amount of tax revenue for the district will remain the same because the tax burden is shifted to the other properties. The program extension will extend the shift of tax revenue until the program sunset. Currently, approximately 19% of SEZ revenue loss and 11% of LTREZ revenue loss are subject to shift. The ending of the exemption of school district taxes, for an exemption extension or after the fifth year of exemption, may reduce the amount of this shift, depending on which enterprise zone business firms are subject to school bond levies.

The main data source for these impacts are the Department of Revenue Tax Expenditure reports (1999-01 through 2023-25), specifically the subsections on Enterprise Zone Businesses and Long Term Rural Enterprise Zone, which provide estimates of the taxable assessed value, revenue loss, and shift. District tax rate data was obtained from the Department of Revenue's Oregon Property Tax Statistics report, Fiscal Year 2021-22. Additional data on specific enterprise zone businesses, including the actual duration of exemption (for current, proposed, and former exempt business firms) and the number of reservation enterprise zones and reservation partnership zones, were provided by the Oregon Business Development Department.

Creates, Extends, or Expands Tax Expenditure: Yes No

The legislative purpose of enterprise zones is "To stimulate and protect economic success [...] throughout all regions of the state, but especially in those communities at the center of or outside major metropolitan areas for which geography may act as an economic hindrance [...] by providing tax incentives for employment, business, industry and commerce [...]" (ORS 285C.055).