Many statements at the public hearing on HB 2199A and HB 3457A made by those objecting to the reforms in the two bills were exaggerated and misstated the case. Here is what was said and our clarifications.

TAX FAIRNESS OREGON

We can't change these programs because of the semiconductor initiative

Misstatements: Twelve of the 20 people who testified on the two bills brought up the CHIPs Act and recommendations of the Semiconductor Task Force.

Discussion: In fact, most of the 300 or so businesses that use these programs are wind farms, data centers, and other businesses with no relationship to the semiconductor industry. Intel is only one of 13 SIP businesses. None of the 10 Long Term Rural Enterprise Zone businesses (LTREZ) and only 12 of the 280 Standard Enterprise Zone businesses are semiconductor-related.

Misstatements: Legislators were reminded that "last August the Semiconductor Taskforce urged the Legislature to maintain the existing tools like the SIP and enterprise zone program."

Discussion: This is true, but that was months <u>before</u> the Commerce Department guidance that individual business subsidies are not what they are looking for. They are looking for benefits with spillover effects: workforce training, education, site preparation and infrastructure. Further, to suggest that the Legislature should ignore its responsibilities to comprehensively review its subsidy programs to "avoid sending a signal" is hyperbole.

Impact of the carve out for education dollars

Misstatements: Scott Bruun speaking on the LTREZ said "the carve out of school district exemptions after five years would effectively half the benefit." Rep. Diehl said it "cuts the extension in half." At least four others called the education carve out a "40%" reduction, and one called it "a drastic reduction."

Discussion: The exemption is for "ad valorem property taxes imposed by a school district as defined in ORS 332.002 (2)" One can assume that includes permanent authority education funding, bonding and local option funding for K-12. It does not include ESDs or community colleges. Statewide these total about 40% of total property tax bills (ignoring the impact of compression). Of course the percentage on any particular property will vary depending upon the specific taxing districts.

Since half of the Standard Enterprise Zone projects are for three years, there is no impact on those 150 businesses. For the 150 businesses with 5-year Enterprise Zone exemptions, the impact of two years of education taxes is a 16% reduction in overall benefit. For a 15-year Long Term Rural Enterprise Zone, the impact of paying ten years of education taxes would be a 27% reduction in overall benefit. The statements that these are "half the exemption," or "40%," are disingenuous as well as inaccurate.

Transparency will be damaging to businesses

Misstatements: Folks claimed that posting the pending agreements would "violate confidentiality," have "chilling effects if plans for their agreements are up for their competitors to see," "add complexity and uncertainty" and "curtail zone participation substantially."

Discussion: Evidently I have top secret information at my home because I have a two-inch file of the SIP and LTREZ agreements—29 of them. In fact, any business that wants to read the documents would have the same access to the agreements as I have. They are not secret documents. Without access before decisions are made the public can have no input on decision making.

The sky will fall

Misstatements:
"These bills send us in the wrong direction, it's the wrong message at the wrong time."
"Shows a lack of commitment by the state."
"Will send a message that Oregon is not open for business."

Discussion: Similar claims about horrific damage to our economy were made around Measures 66 & 67 and the CAT tax. Measures 66 and 67 were passed in early 2010. Over the next ten years Oregon's GDP grew 28% in real dollars or from $164 billion to $248 billion in 2020 in current dollars. This was 26% faster than the rest of the country (2.9% annual growth in Oregon vs. 2.3% U.S. average). After the CAT was passed in early 2019, Oregon GDP grew 2.3% from 2020 to 2022 during the Pandemic while the rest of the country grew an average of 1.7%. In 2022 Oregon grew 3% while the rest of the country grew only 2.1%.

Sunsetting the Strategic Investment Program (SIP)

Misstatements: "Sunsetting the SIP will create uncertainty." "Future SIPs seem unlikely in light of the lost flexibility and diminished trust." "The sunset will have a chilling effect.

Discussion: The SIP will give businesses $755 million in tax breaks next biennium. All budgets get reviewed every two years. There are sunsets on agricultural housing and the rural medical tax credits, each of which gives tax breaks of around $10 million per biennium. It would be irresponsible not to set this program up for periodic review. We note that businesses can see that the bill allows that agreements in place remain the same despite changes made during the sunset review process.

Ten-year extension in the past, not five

Misstatements: The original bill had a ten-year sunset extension, this bill cut it back to five. "This is cutting certainty in half for businesses."

Discussion: This is technically correct, but you are doing the Enterprise Zones' sunset/review early, at the request of the business community. The extension in the original HB2199 was until June 2035. That is twelve years from now. A sunset of June 2030 is seven years from now. Most sunset extensions are for six years.

Our enterprise zone program is not unique

Misstatements: "Oregon once led the country with our Enterprise Zone incentives, now other states all have similar programs" and "We cannot change our programs or we will lose out."
Discussion: This ignores the fact that many states have discontinued their Enterprise Zone programs. For those that remain, the incentives are often only partial property tax exemptions or not property tax exemptions at all, but rather sales tax exemptions or utility discounts while Oregon has no sales tax and has some of the lowest utility rates in the country.

ROI of 29:1

Misstatements: The 29:1 return on investment (ROI) number was repeatedly used during the hearing.

Discussion: Only the 3-5 year Standard Enterprise Program has this return according to the impact study for Business Oregon. This was the highest of six state-wide ROI numbers in the report. The lowest ROI number is negative 0.84:1. You read that right: eight-four cents of return for each one dollar of exemption. Of course that's not the number advocates for no changes chose to mention, but it is a reason for changes.