



SB 135 The Long Term Rural Enterprise Zone needs restructuring

Senate Finance and Revenue – Jody Wisner – 2.6.2023

We believe the legislature should use this sunset to rethink the Long Term Rural Enterprise Zone (LTREZ) property tax exemption. We are glad you have started the process of reviewing these programs early in the session so that you have time to really explore the programs and make changes. The studies done for Business Oregon point out that the LTREZ program provides a poor return on investment and recommend changes in structure and transparency. (See [Property Tax Incentives Impact Study](#), page viii for ROI for the Standard Enterprise Zone, LTREZ and SIP programs)

Amazon says they've invested \$12 billion over the past decade in Morrow and Umatilla counties. At first they used the three and five year E-Zone program, but recently they've received one SIP, with the remainder of their data centers using the LTREZ. With the LTREZ they pay only locally negotiated fees – not any property taxes – until the 15-year exemptions end. The studies of the return on investment for our three programs show the lowest return for the LTREZ which is also used by the other rural data center owners: Apple, Facebook, and Google. The ROI data suggests you shortened LTREZ. The rural data centers might then choose the Strategic Investment Program (SIP) instead, wherein they'd pay the mandated and negotiated Community Service Fee along with a portion of their property taxes over their 15-year exemptions. These tax payments would help all the jurisdictions in the area and return to the state's educational districts the 32% of property taxes that support K-12, ESDs and Community Colleges.

While nearly all rural data centers have 15-year LTREZ exemptions, all large wind farms are in the SIP. The lists below show these and other users.

LTREZ have been used for:

- Apple data centers in Crook County
- Facebook data centers in Crook County
- Google data centers in Wasco County
- Amazon data centers in Umatilla and Morrow Counties
- Lamb Weston food processing in Umatilla
- Dairy food processing in Umatilla County
- Upper Columbia Mill in Umatilla County (the saw mill is now closed)
- Roseburg Forest Products in Douglas County (exemption expired)
- Murphy Company in Douglas County (exemption expired)

There are likely more participants that are no longer showing on the reports because they've expired.

SIPs have been used for:

- Ten different wind farms
- Intel in Washington County, for which the SIP was developed
- Genentech in Washington County, where the SIP was the only 15-year program available
- Georgia-Pacific Paper Mill in Clatsop County, where it could have been a LTREZ
- A PGE fracked gas generation system in Morrow County
- A PGE renewable fuels facility in Columbia County
- An Amazon data center in Umatilla County
- A Google data center in Wasco County

The differences in transparency between the LTREZ and the SIP are significant. The most recent [SIP report provides multiple data points](#), while the [LTREZ reports tell you almost nothing](#) except how much was not paid in property taxes. I urge you to click on those links and see the differences.

We also encourage you to examine the compensation requirements under our various property tax exemptions. As you can see [here](#), wage requirements are missing in Multnomah and Washington counties. Is that how Amazon's distribution centers in Multnomah and Washington counties qualify for 5-year enterprise zones? Businesses are given as much as five years to meet the wage/compensation requirements that are set when they apply for tax exemptions. These are very dated wage requirements, as much as seven years old. Once the requirement is met, businesses only need to pay average county wages thereafter. This doesn't seem to be the way to assure we are getting above-average wage jobs with our subsidies.

Further, the standards by which a county is allowed to provide the LTREZ seem due for change. Deschutes County, which has been charging ahead for decades just recently became ineligible. When will Sherman and Hood River counties, both with per capita income well above the state's average no longer be eligible? When will Morrow and Wasco which have both seen dramatic increases in income since 2010?

Oregon's property tax exemptions deserve a careful examination by the legislature. We're glad you've allowed time.

We read the bills and follow the money