



HB 2199A: Enterprise Zone Extension

Joint Committee on Tax Expenditures – John Calhoun – 5.19.2023

My name is John Calhoun and I am representing Tax Fairness Oregon, a network of volunteers who advocate a rational and equitable tax code.

TFO supports HB 2199A and urges passage by this committee.

TFO has advocated for a robust reform of our Enterprise Zone programs throughout this session. We are disappointed that HB 2199A no longer includes policies we endorsed such as making ineligible for these property tax exemptions, retail warehouses owned by Amazon or UPS whose locations are dictated by logistics, not tax exemptions. Data centers in Washington County have plenty of reason to locate there without tax incentives. Those communities would be better served with a stronger tax base to pay for the services needed rather than giving it away to businesses with limited employment and/or low pay while locking up rare land that would be better used for more employee intensive manufacturing or additions to our housing stock.

We also would prefer a review of the wage requirements for enterprise zones. The current requirement is that the wages be above the county average at the time the agreement is approved. After a decade that requirement becomes meaningless. In addition, we do not comprehend why Portland and Salem metro businesses are exempt from even the weak wage requirements that businesses in other areas of the state must meet.

At the same time, we appreciate the addition of clauses that eliminate tax exemptions for schools after the initial exemptions. While this will decrease the business benefit by 12-16% during a 5-year enterprise zone it is not the 40% cut industry advocates have been misleadingly claiming. However, this slight decrease provides for a more equitable distribution of school funds for the state. Local governments should not be able to give away school funds to businesses knowing that the state will reimburse them by taking resources from other school districts across the state. We don't understand why ESDs, which serve K-12 and Community College funding are not included. We believe these issues could be addressed in an amendment.

We also appreciate the value of the transparency provisions in HB 2199A. The need for this provision was just made more evident by the recent announcement that Amazon has received a billion-dollar tax break, the largest in the company's history, from Morrow County, City and Port. The public got a one-day notice before the final vote. That is simply not acceptable.

We continue to hear objections from business lobbyists that any change in our property tax incentives is anti-business and will terminate our ability to recruit companies, especially semiconductor companies. This is plainly ridiculous. As currently drafted HB 2199A has minor changes, makes our incentive system more equitable, and will have minimal impact on semiconductor businesses. These same lobbyists claim that while Oregon once led the country

with our enterprise zone incentives, now other states all have similar programs and we cannot change anything or we will lose out to them. This ignores the fact that in some states the incentives provide sales tax exemptions or utility discounts while Oregon has no sales tax and has some of the lowest utility rates in the country.

As I stated at the beginning, this bill does not include policy changes we think should be included. However, using the advice of Representative Greg Smith, we understand that one slice of pie is better than no slice at all. We suggest the business community do likewise.

We urge passage of HB 2199A.

We read the bills and follow the money