

**REVENUE IMPACT OF
PROPOSED LEGISLATION
82nd Oregon Legislative Assembly
2024 Regular Session
Legislative Revenue Office**

Bill Number:	HB 4042-A3
Revenue Area:	Income Tax & Property Tax
Economist:	Easton/Olen/Hart
Date:	2-27-2024

*-Only Impacts on Original or Engrossed
Versions are Considered Official*

Measure Description:

Authorizes the Oregon Business Development Department to provide financial assistance to projects related to industrial land.

Industrial Site Readiness

Extends sunset of initial program qualification by six years. Moves sunset from July 1, 2023, to December 31, 2029. Changes employment level and wage qualification language to align with available data. Ensures \$10 million cap applies to income tax increment payments and not loans.

Semi-Conductor Related Activities in E-Commerce City

Adds semiconductor-related development activities in a designated E-Commerce City to property that may qualify for a three- to five-year property tax exemption under the E-Commerce provisions of the Enterprise Zone program.

Revenue Impact (in \$Millions):

The provisions of the bill are expected to have a minimal impact.

Impact Explanation:

Industrial Site Readiness

The industrial site readiness program allows local government project sponsors investing in the preparation of industrial sites to receive site preparation costs offsets from either a loan (possibly forgivable) or cost reimbursement from the state. Qualifying local governments may enter into a loan agreement with the Oregon Business Development Department (OBDD) that can include loan forgiveness under specified terms (funding through OBDD for the loan program has not been available to date but is being considered in HB 4042). Local government project sponsors may also enter into a tax reimbursement arrangement with OBDD where the project sponsor receives full reimbursement for eligible site preparation costs through a sharing of 50% of the estimated personal income taxes paid by the eligible employees hired at the industrial site by an eligible employer. To qualify, employers must hire a specified minimum number of employees that exceed specified wage thresholds. Current law requires local government project sponsors to have entered into agreements with OBDD before July 1, 2023 (existing agreements remain in effect after this date) and limits total loans and reimbursements to all project sponsors to \$10 million annually.

Measure modifies definition of eligible employer, to align with data availability, through changes to specifications of employment level and wage qualification required of employees employed at the Regionally Significant Industrial site. While changes to wage/employment qualification remove full time equivalency requirements for new hires, applicability of average wage minimum is expanded to all employees at site rather than only new hires. Measure also extends initial period in which project sponsors may enter into agreements with OBDD to December 31, 2029. Extending applicability period is expected to increase the number of project sponsors and/or project sites entering into agreements with OBDD. However, incremental income tax revenue redirected from the General Fund to project sponsor reimbursements is limited to \$10 million per year and is proportionately shared to project sponsors should the cap be reached. While the cap has not yet been reached, over \$500 million in projected costs are associated with the twelve projects presently qualified. Additional project qualification could impact the amount proportionally shared, though impact on General Fund is unlikely to occur within the near term estimate horizon due to existing annual cap.

Semi-Conductor Related Activities in E-Commerce City:

The City of North Plains has not had a qualified business firm since obtaining the E-Commerce Zone designation in 2001 (SB 229). It is unlikely that a firm would locate a multi-billion-dollar semiconductor fabrication facility because of a three- to five-year property tax exemption (and potentially the existing 2-year exemption for construction in process in an enterprise zone). It can take more than a decade for a semiconductor fabrication facility to become fully operational. The City of North Plains currently does not have enough vacant space to accommodate such a facility. However, there are several ways in which a revenue impact on local governments that is more than minimal may arise:

- The May 2024 Primary Election will include a vote on whether the City of North Plains will expand its UGB, more than doubling the size of the city and adding hundreds of acres of industrial lands.
- Semiconductor-related firms may benefit from the exemption. Applicable business activities in E-Commerce Zones include professional services, retail, other operations, and business activities of third parties (OAR 123-662-0100).

Personal property costing as little as \$1,000 can qualify for the E-Commerce Zone property tax exemption. This is lower than the \$50,000 threshold in a Standard Enterprise Zone.

Creates, Extends, or Expands Tax Expenditure: Yes No

Semi-Conductor Related Activities in E-Commerce City

The policy purpose of this measure is to incentivize growth, innovation, and high-quality jobs in Oregon’s semiconductor-related industries.