

## HB 2199 STAFF MEASURE SUMMARY

### House Committee On Revenue

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**Prepared By:** Beau Olen, Economist

**Meeting Dates:** 4/4

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#### WHAT THE MEASURE DOES:

Extends enterprise zone program ten years by moving sunset date from June 30, 2025 to June 30, 2035. Takes effect January 1, 2024.

#### ISSUES DISCUSSED:

#### EFFECT OF AMENDMENT:

No amendment.

#### BACKGROUND:

Oregon Enterprise Zones incentivize new business investment by exempting some or all local property tax for several years. An enterprise zone is sponsored by city, port, county, or tribal governments. The local governments are responsible for creating and managing most of these zones until the sunset on June 30, 2025. Currently, Oregon has 76 enterprise zones, of which 58 are rural and 18 are urban. The zones are spread throughout the state, in 35 of 36 counties, and are sponsored by 124 cities, 15 ports, 30 counties, and 2 Indian tribes. In addition, 19 cities, 7 ports and 3 other counties currently consent to zones within their territory that are sponsored by other jurisdictions.

There are five types of Oregon enterprises zones:

- **Standard Enterprise Zone:** Eligible businesses that locate or expand into an enterprise zone may receive an exemption of all local property tax for 3-5 years.
- **Long-Term Rural Enterprise Zone:** For rural enterprise zones in 25 eligible counties (containing 39 of 58 rural zones) that meet particular conditions, this type of zone is an alternative to the Standard Enterprise Zone exemption, which can exempt new property and new improvements from local property tax for 7-15 years for any type of business activity. This new property can also be exempt while under construction for an unlimited number of years.
- **Reservation Enterprise Zone:** Each of the nine federally recognized Indian tribes in Oregon can each have one reservation enterprise zone designated that may cover up to 12 square miles, which does not have to be contiguous. Any number of reservation partnership zones can also be designated that each comprise contiguous area of up to 12 square miles. This type of zone is not terminated on the sunset date and new zones can be designated or cosponsored after sunset.
- **Electronic Commerce Enterprise Zone:** Up to 15 enterprise zones may also be designated as an Electronic Commerce Enterprise Zone which provides the same local property tax exemption as the Standard Enterprise Zone.
- **Rural Renewable Energy Development (RRED) Zone:** This type of zone provides the same exemption as the Standard Enterprise Zone, but RRED Zones differ in four ways: 1) only certain types of renewable energy projects are eligible; 2) the zone areas are more expansive, generally countywide; 3) there is a locally determined limit of up to \$250 million for all exemptions with a given RRED Zone designation; and 4) the local property tax exemption does not sunset for purposes of RRED Zones.

All enterprise zones terminate after 10-11 years. A business receiving an enterprise zone property tax exemption when the zone terminates may continue to receive the exemption for the number of years for which it qualified.