

HB 2199 A STAFF MEASURE SUMMARY

Joint Committee On Tax Expenditures

Prepared By: Beau Olen, Economist

Meeting Dates: 5/19

WHAT THE MEASURE DOES:

Extends enterprise zone program by moving sunset from June 30, 2025 to June 30, 2030. Agreement between zone sponsor and business firm may not become effective before zone sponsor makes terms of agreement public on zone sponsor website. Requires Oregon Business Development Department to provide technical assistance to zone sponsors and to submit report to Legislative Assembly on program transparency. Requires zone sponsor intending to enter into agreement with business firm that may increase infrastructure use outside zone boundaries to provide timely notice of intent to adjacent local governments. Excludes school district from property tax exemption for earlier of exemption extension or sixth year of exemption, for property tax years beginning on or after July 1, 2024. Takes effect 91st day after sine die.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

Oregon enterprise zones incentivize new business investment by providing a property tax exemption for several years. An enterprise zone is sponsored by city, port, county, or tribal governments. The local governments are responsible for creating and managing 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 four 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 is an alternative to the Standard Enterprise Zone, which can exempt new facilities from local property tax for 7-15 years. 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. Any number of reservation partnership zones can also be designated. These zones are not terminated on the sunset date and new zones can be designated or cosponsored after sunset.
- **Electronic Commerce Enterprise Zone:** Up to 15 existing 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.

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.