

A-Engrossed
House Bill 2349

Ordered by the House May 12
Including House Amendments dated May 12

Ordered printed by the Speaker pursuant to House Rule 12.00A (5). Pre-session filed (at the request of Representative-elect John Lim)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure.

Reduces total cost requirement for exemption from property tax for eligible projects under strategic investment program.

A BILL FOR AN ACT

1
2 Relating to strategic investment program tax exemption; creating new provisions; and amending ORS
3 285C.606 and 307.123.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1.** ORS 285C.606 is amended to read:

6 285C.606. (1) The State of Oregon, acting through the Oregon Economic and Community Development
7 Commission, may determine that real and personal property constituting a project shall receive the tax exemption provided in ORS 307.123 if:

8
9 (a) The project is an eligible project;

10 (b) The project directly benefits a traded sector industry, as defined in ORS 285B.280; and

11 (c) The total cost of the project equals or exceeds:

12 (A) [~~\$100~~] **\$50** million; or

13 (B) [~~\$25~~] **\$12.5** million, if the project is located in a rural area.

14 (2) Notwithstanding subsection (1) of this section, property may not qualify for the tax exemption under ORS 307.123 if the property:

15 (a) Was previously owned or leased by the business firm benefitting from the tax exemption; or

16 (b) Was previously exempt under ORS 307.123 for any period of time.

17 (3) The State of Oregon, acting through the State Treasurer, may authorize and issue revenue
18 bonds for an eligible project that qualifies for exemption under ORS 307.123 if the project also is
19 eligible for funding through the issuance of revenue bonds under ORS 285B.320 to 285B.371.

20 (4) A business firm that will be benefited by an eligible project shall enter into a first-source
21 hiring agreement with a publicly funded job training provider that will remain in effect until the end
22 of the tax exemption period.

23 (5) If an eligible project is leased or subleased to any person, the lessee shall be required to pay
24 property taxes levied upon or with respect to the leased premises only in accordance with ORS
25 307.123.

26 (6) For purposes of determining the assessment and taxation of the eligible project in ORS
27 307.123 and the calculation of the community services fee in ORS 285C.609 (4)(b), the Oregon Eco-

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

1 nomic and Community Development Commission, when it determines that the project is an eligible
2 project, shall:

3 (a) Describe the real and personal property to be included in the eligible project;

4 (b) Establish the maximum value of the property subject to exemption; or

5 (c) Employ a comparable method to define the eligible project.

6 (7) Property of an eligible project that is currently exempt under ORS 307.123 may remain ex-
7 empt for any remaining period of exemption allowed under ORS 307.123 upon the property being
8 acquired by a business firm that is different from the business firm that initially benefited from the
9 exemption, if the acquiring firm satisfies all applicable requirements under ORS 285C.600 to 285C.620
10 and assumes the obligations, conditions, requirements and other terms of the agreement described
11 in ORS 285C.609 (4).

12 **SECTION 2.** ORS 307.123 is amended to read:

13 307.123. (1) Except as provided in subsection [(3)] (5) of this section, real or personal property
14 that the Oregon Economic and Community Development Commission, acting pursuant to ORS
15 285C.606, has determined is an eligible project under ORS 285C.600 to 285C.620 shall be subject to
16 assessment and taxation as follows:

17 (a) That portion of the real market value of the eligible project that equals the [*minimum cost*
18 *of the project under ORS 285C.606 (1)(c), increased annually for growth at the rate of three percent,*]
19 **total cost threshold under subsection (2) of this section** shall be taxable at the taxable portion's
20 assessed value under ORS 308.146. The taxable portion of real market value, as adjusted, shall be
21 allocated as follows until the entire amount is assigned: first to land, second to buildings, third to
22 real property machinery and equipment and last to personal property.

23 (b) The remainder of the real market value shall be exempt from taxation for a period of 15
24 years from the beginning of the tax year after the earliest of the following dates:

25 (A) The date the property is certified for occupancy or, if no certificate of occupancy is issued,
26 the date the property is used to produce a product for sale; or

27 (B) The expiration of the exemption for commercial facilities under construction under ORS
28 307.330.

29 **(2)(a) If the eligible project is located in a rural area, the total cost threshold shall be**
30 **\$12.5 million, increased by three percent annually.**

31 **(b) If the eligible project is not described in paragraph (a) of this subsection and the total**
32 **cost of the eligible project is at least \$50 million, but does not exceed \$100 million, the total**
33 **cost threshold shall be \$50 million, increased by three percent annually.**

34 **(c) If the eligible project is not described in paragraph (a) of this subsection and the total**
35 **cost of the eligible project is more than \$100 million, the total cost threshold shall be the**
36 **lesser of:**

37 **(A) Fifty percent of the total cost of the eligible project, increased by three percent an-**
38 **nually; or**

39 **(B) \$100 million, increased by three percent annually.**

40 [(2)] (3) If the real market value of the property **that comprises the eligible project** falls below
41 the [*value*] **total cost threshold** determined under subsection [(1)(a)] (2) of this section, **including**
42 **the three percent annual increases**, the owner or lessee shall pay taxes only on the assessed
43 value of the property.

44 **(4)(a) The total cost threshold determined under subsection (2) of this section shall be**
45 **modified to take into account property that is added to the eligible project after the assess-**

1 **ment date for the first year in which any portion of the eligible project is exempt under this**
2 **section, if:**

3 **(A) The eligible project is not located in a rural area; and**

4 **(B) The cost of property that is added to an eligible project, when added to the total cost**
5 **threshold for the preceding tax year (increased by three percent), would cause a change in**
6 **the total cost threshold under subsection (2) of this section.**

7 **(b) If the total cost threshold is modified under paragraph (a) of this subsection, the total**
8 **cost threshold for subsequent tax years shall be increased by three percent annually.**

9 [(3)] **(5)** *[Notwithstanding subsection (1) of this section,]* Real or personal property that has re-
10 ceived an exemption under ORS 285C.175 may not be assessed under this section.

11 [(4)] **(6)** The Department of Revenue may adopt rules and prescribe forms that the department
12 determines are necessary for administration of this section.

13 [(5)] **(7)** The determination by the Oregon Economic and Community Development Commission
14 that a project is an eligible project that may receive a tax exemption under this section shall be
15 conclusive, [so] **as** long as the property included in the eligible project is constructed and installed
16 in accordance with the application approved by the commission.

17 [(6)] **(8)** Notwithstanding subsection (1) of this section, if the owner or lessee of property exempt
18 under this section fails to pay the fee required under ORS 285C.609 (4)(b) by the end of the tax year
19 in which it is due, the exemption shall be revoked and the property shall be fully taxable for the
20 following tax year and for each subsequent tax year for which the fee remains unpaid. If an unpaid
21 fee is paid after the exemption is revoked, the property shall again be eligible for the exemption
22 provided under this section, beginning with the tax year after the payment is made. Reinstatement
23 of the exemption under this subsection shall not extend the 15-year exemption period provided for
24 in subsection (1)(b) of this section.

25 **SECTION 3. The amendments to ORS 285C.606 and 307.123 by sections 1 and 2 of this 2005**
26 **Act apply to eligible projects for which a determination under ORS 285C.606 (1) is sought on**
27 **or after the effective date of this 2005 Act.**

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