

D R A F T

SUMMARY

Authorizes city or county to adopt exemption for newly constructed or installed industrial improvements with cost of initial investment of at least \$1 million. Provides that qualified property must be owned or leased by applicant and used through final year of exemption for purpose and at location identified in application. Requires city or county to specify period of three to five years during which exemption is granted and decreasing percentage of exemption to be granted during specified period. Provides cap on exemption equal to specified percentage of real market value of qualified property. Requires exemption to be granted to all eligible industrial improvements on same terms in effect on date application is submitted. Prohibits stacking of exemptions or special assessments other than exemption for commercial facilities under construction. Allows city or county to amend or terminate exemption but provides that industrial improvements granted exemption continue to receive exemption under terms in effect at time exemption was first granted. Authorizes city or county to grant deferral of property taxes instead of exemption within same parameters. Provides for clawbacks of tax exemption savings or deferred taxes upon disqualification of industrial improvements.

Sunsets authority of city or county to adopt exemption or deferral on January 2, 2027. Provides that industrial improvements granted exemption or deferral before sunset date continue to receive exemption or deferral under terms in effect at time granted.

Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

1
2 Relating to property tax benefits; and prescribing an effective date.

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

4 **SECTION 1. (1) As used in sections 1 to 4 of this 2016 Act:**

5 (a) **“Eligible property” means newly constructed or installed im-**
6 **provements classified as industrial under rules established by the De-**

1 **partment of Revenue pursuant to ORS 308.215 (1)(a)(C), and associated**
2 **personal property, that have a cost of initial investment to the pur-**
3 **chaser of at least \$1 million.**

4 **(b) “Qualified property” means eligible property for which an ap-**
5 **plication for exemption or deferral has been approved under section 2**
6 **of this 2016 Act.**

7 **(2)(a) The governing body of a city or county may adopt an ordi-**
8 **nance or resolution granting a property tax exemption for eligible**
9 **property located within the boundaries of the city or county, respec-**
10 **tively.**

11 **(b) The terms of the exemption must conform to the provisions of**
12 **sections 1 to 4 of this 2016 Act. In addition, an ordinance or resolution**
13 **adopted under this subsection may include requirements for the ex-**
14 **emption related to economic development, including but not limited**
15 **to the number of new or retained employees in the Oregon workforce**
16 **of the taxpayer, minimum compensation for new or retained employ-**
17 **ees, first source hiring agreements and local procurement plans, that**
18 **do not conflict with the provisions of sections 1 to 4 of this 2016 Act.**

19 **(3)(a) Qualified property must be:**

20 **(A) Owned or leased by the applicant filing the application under**
21 **section 2 of this 2016 Act.**

22 **(B) Used through the final year of exemption for the purpose, and**
23 **at the location, identified in the application filed under section 2 of**
24 **this 2016 Act.**

25 **(b) The exemption:**

26 **(A) May be granted to eligible property only if the first assessment**
27 **year to which the application filed under section 2 of this 2016 Act re-**
28 **lates is the first assessment year that begins after the eligible property**
29 **was first placed in service; and**

30 **(B) Shall be granted:**

31 **(i) Only for qualified property that was first placed in service after**

1 **the ordinance or resolution was adopted; and**

2 **(ii) At a progressively decreasing percentage of assessed value over**
3 **a period of three to five years, in conformity with subsection (4) of this**
4 **section.**

5 **(4)(a) Notwithstanding ORS 307.032:**

6 **(A) For the first property tax year for which qualified property is**
7 **granted exemption pursuant to this section, the maximum assessed**
8 **value and the assessed value of the qualified property shall be deter-**
9 **mined under ORS 308.153. For purposes of this subparagraph, the**
10 **qualified property's assessed value shall be determined without sub-**
11 **tracting the amount of the exemption.**

12 **(B) For each subsequent property tax year for which the qualified**
13 **property is granted exemption, the maximum assessed value and the**
14 **assessed value of the qualified property shall be determined under ORS**
15 **308.146. For purposes of this subparagraph, the qualified property's**
16 **assessed value from the prior year shall be determined without sub-**
17 **tracting the amount of the exemption.**

18 **(b) Except as provided in paragraph (d) of this subsection, the ex-**
19 **emption shall be granted to the qualified property in the following**
20 **amounts and shall be subtracted from the assessed value of the qual-**
21 **ified property as determined under paragraph (a) of this subsection:**

22 **(A) For the first property tax year, the exemption shall be in an**
23 **amount equal to 100 percent of the cost of initial investment;**

24 **(B) For the second property tax year, the exemption shall be in an**
25 **amount equal to 80 percent of the cost of initial investment;**

26 **(C) For the third property tax year, the exemption shall be in an**
27 **amount equal to 60 percent of the cost of initial investment;**

28 **(D) For the fourth property tax year, the exemption shall be in an**
29 **amount equal to 40 percent of the cost of initial investment;**

30 **(E) For the fifth property tax year, the exemption shall be in an**
31 **amount equal to 20 percent of the cost of initial investment; and**

1 (F) For the sixth and all subsequent property tax years, no ex-
2 emption may be granted under this section.

3 (c) For purposes of computing the amount of the exemption under
4 this subsection, the cost of initial investment shall be the lesser of the
5 actual cost of initial investment or \$25 million.

6 (d) The city or county may specify in the ordinance or resolution:

7 (A) A minimum cost of initial investment greater than \$1 million.

8 (B) The number of years for which the exemption shall be granted.

9 The exemption may be disallowed by the city or county for the fourth
10 and all subsequent property tax years.

11 (C) The percentage of the cost of initial investment that shall be
12 subtracted from the assessed value of the qualified property for each
13 year of the exemption.

14 (D) Different schedules in each property tax year for the years and
15 percentages described in subparagraphs (B) and (C) of this paragraph,
16 depending on the minimum costs of initial investment.

17 (e) Notwithstanding any other provision of this section, for any
18 property tax year the total amount of the exemption computed under
19 this subsection may not be greater than 100 percent of the total real
20 market value of the qualified property multiplied by the ratio de-
21 scribed in ORS 308.153 (1)(b) for the immediately preceding property
22 tax year.

23 (5)(a) An exemption granted under an ordinance or resolution
24 adopted pursuant to this section applies:

25 (A) To all property tax levies of the city or county that adopted the
26 ordinance or resolution; or

27 (B) To all property tax levies of all taxing districts in which quali-
28 fied property is located if, upon request of the city or county that
29 adopted the ordinance or resolution, the rates of taxation of the taxing
30 districts whose governing bodies agree to grant the exemption, when
31 combined with the rate of taxation of the city or county, equal 51

1 **percent or more of the total combined rate of taxation on the qualified**
2 **property.**

3 **(b) The decisions of the taxing districts under paragraph (a) of this**
4 **subsection may not be changed but are not binding with respect to an**
5 **ordinance or resolution adopted pursuant to subsection (6) of this**
6 **section or a new ordinance or resolution adopted pursuant to sub-**
7 **section (2) of this section.**

8 **(c) All qualified property shall be granted exemption under this**
9 **section, or deferral under section 3 of this 2016 Act, on the same terms**
10 **provided in the ordinance or resolution adopted or amended by the city**
11 **or county and in effect on the date the application is submitted under**
12 **section 2 of this 2016 Act.**

13 **(6)(a) A city or county may adopt at any time an ordinance or re-**
14 **solution amending the terms of an exemption granted pursuant to this**
15 **section or a deferral pursuant to section 3 of this 2016 Act, or termi-**
16 **nating the exemption or deferral, within the city or county.**

17 **(b) Notwithstanding an ordinance or resolution adopted under par-**
18 **agraph (a) of this subsection, qualified property that has been granted**
19 **an exemption pursuant to this section, or a deferral pursuant to sec-**
20 **tion 3 of this 2016 Act, shall continue to receive the exemption or defe-**
21 **rral under the terms in effect at the time the exemption or defe-**
22 **rral was first granted, including the decisions of the taxing districts**
23 **under subsection (5)(a) of this section.**

24 **(7)(a) Qualified property granted an exemption pursuant to this**
25 **section, or a deferral pursuant to section 3 of this 2016 Act, is not eli-**
26 **gible for any other property tax exemption or special assessment.**

27 **(b) Otherwise eligible property that has received another property**
28 **tax exemption or special assessment is not eligible for the exemption**
29 **or deferral.**

30 **(c) Paragraphs (a) and (b) of this subsection do not apply to the**
31 **exemption granted under ORS 307.330.**

1 **SECTION 2.** (1)(a) A city or county that adopts an ordinance or
2 resolution pursuant to section 1 of this 2016 Act shall prescribe ex-
3 emption application forms and the information required to be included
4 in the application.

5 (b) If eligible property is located in a city and county, each of which
6 has adopted an ordinance or resolution under section 1 of this 2016
7 Act, the applicant shall elect the exemption the applicant wishes to
8 receive for the eligible property by submitting the application to the
9 city or county, as applicable.

10 (c) If the initial cost of investment of the eligible property exceeds
11 \$25 million, the applicant shall specify in the application the items of
12 eligible property having a total cost of initial investment of \$25 million
13 for which the exemption is sought.

14 (2)(a) Applications must be submitted for review to the city or
15 county, as applicable, on or before March 1 preceding the property tax
16 year to which the application relates.

17 (b) Notwithstanding paragraph (a) of this subsection, an application
18 may be filed under this section for the current property tax year:

19 (A) On or before December 31 of the property tax year, if the ap-
20 plication is accompanied by a late filing fee of the greater of \$200 or
21 one-tenth of one percent of the real market value as of the most re-
22 cent assessment date of the eligible property to which the application
23 relates.

24 (B) On or before April 1 of the property tax year, if the application
25 is accompanied by a late filing fee of \$200 and the applicant demon-
26 strates good and sufficient cause, as defined in ORS 307.162, for failing
27 to file a timely application or is a first-time filer, as defined in ORS
28 307.162.

29 (c)(A) An application may be filed as provided in paragraph (b) of
30 this subsection notwithstanding that there are no grounds for hard-
31 ship as required for late filing under ORS 307.475.

1 **(B) If an application filed as provided in paragraph (b) of this sub-**
2 **section is not accompanied by the late filing fee or if the late filing fee**
3 **is not otherwise paid, an exemption may not be granted for the prop-**
4 **erty tax year to which the application relates.**

5 **(C) A late filing fee collected under paragraph (b) of this subsection**
6 **must be deposited in the general fund of the city or county, as appli-**
7 **cable.**

8 **(d) If the ownership of all property included in the application for**
9 **a prior year remains unchanged, a new application is not required.**

10 **(3)(a) Upon receipt of an application submitted pursuant to sub-**
11 **section (2) of this section, the city or county, as applicable, shall de-**
12 **termine as soon as practicable:**

13 **(A) Whether the property to which the application relates is eligible**
14 **property located within the boundaries of the city or county;**

15 **(B) The cost of initial investment of the eligible property to the**
16 **purchaser; and**

17 **(C) The date on which the eligible property was first placed in ser-**
18 **vice.**

19 **(b) If any determination made pursuant to paragraph (a) of this**
20 **subsection renders the property ineligible for the exemption, the ap-**
21 **plication shall be rejected.**

22 **(c) If the property is eligible for the exemption under paragraph (a)**
23 **of this subsection and the application meets the requirements of the**
24 **ordinance or resolution of the city or county, the governing body of**
25 **the city or county shall:**

26 **(A) Approve the application; and**

27 **(B) Notify the assessor of the county in which the qualified property**
28 **is located and, if the qualified property is state-appraised industrial**
29 **property, the Department of Revenue of the approval and include with**
30 **the notification such information as is necessary for the assessor or**
31 **department to perform their respective duties with respect to the**

1 **qualified property.**

2 **(4) Provided all other requirements of ORS 305.275 are met, the cost**
3 **of initial investment of the qualified property as determined under this**
4 **section may be appealed pursuant to ORS 305.275 even if, for purposes**
5 **of ORS 305.275 (1)(a), the governing body of the city makes the deter-**
6 **mination of the cost. The rejection of an application on any basis**
7 **other than the cost of initial investment may not be appealed.**

8 **(5) For each property tax year that qualified property is granted**
9 **exemption pursuant to this section, the assessor of the county in**
10 **which the qualified property is located shall enter on the assessment**
11 **and tax roll the notation “potential additional tax liability.”**

12 **SECTION 3. (1) A city or county that adopts an ordinance or re-**
13 **solution pursuant to section 1 of this 2016 Act may, at the time of**
14 **adoption, elect to grant the amount of the exemption as computed**
15 **under section 1 (4) of this 2016 Act as a deferral of property taxes**
16 **rather than as an exemption. Except as otherwise provided in this**
17 **section, all provisions of sections 1, 2 and 4 of this 2016 Act apply to**
18 **a property tax deferral elected in accordance with this section. The**
19 **election to defer rather than exempt property taxes may be changed**
20 **only in the manner provided by section 1 (6) of this 2016 Act.**

21 **(2)(a) For each property tax year that qualified property is granted**
22 **deferral pursuant to this section, and until the taxes have been added**
23 **to the assessment and tax roll under subsection (3) of this section, the**
24 **assessor of the county in which the qualified property is located shall**
25 **enter on the assessment and tax roll the notation “deferred additional**
26 **tax liability.”**

27 **(b) Interest shall not accrue on taxes deferred pursuant to this**
28 **section during the period of deferral.**

29 **(3)(a) Taxes deferred pursuant to this section shall be added to the**
30 **taxes extended against the qualified property on the assessment and**
31 **tax roll as follows:**

1 (A) The deferred additional taxes for the first property tax year for
2 which deferral was granted shall be added to the tax extended against
3 the qualified property on the assessment and tax roll for the first
4 property tax year that begins after the period of deferral ends; and

5 (B) The deferred additional taxes for the second, third, fourth and
6 fifth property tax years, as applicable, shall be added to the tax ex-
7 tended against the qualified property on the assessment and tax roll
8 for the second, third, fourth and fifth property tax years, respectively,
9 that begin after the period of deferral ends.

10 (b) Deferred additional taxes collected pursuant to this section shall
11 be:

12 (A) Deemed to be assessed and imposed in the property tax year for
13 which the taxes were imposed and deferred.

14 (B) Distributed only to the taxing districts to whose property tax
15 levies the deferral applies under section 1 (5)(a) of this 2016 Act.

16 (c) Deferred additional taxes added to the tax extended against the
17 qualified property may be paid to the tax collector prior to the com-
18 pletion of the assessment and tax roll to which the tax is to be added,
19 pursuant to ORS 311.370. The tax collector may apply prepayments of
20 deferred additional taxes under this paragraph for one or more future
21 property tax years to the taxes imposed on the next following assess-
22 ment and tax roll.

23 (4) If any qualified property granted deferral under this section is
24 sold or otherwise transferred or is moved out of the county, the lien
25 for the deferred additional taxes added under this section shall attach
26 and the deferred additional taxes are due and payable as of the day
27 before the sale or transfer or, if the qualified property is removed from
28 the county, five days before the removal, whichever is earlier.

29 SECTION 4. (1) If qualified property granted exemption pursuant
30 to section 1 of this 2016 Act, or deferral pursuant to section 3 of this
31 2016 Act, is not used for the purpose, or at the location, identified in

1 the application approved under section 2 of this 2016 Act in any year
2 through the final assessment year of the exemption or deferral, the
3 assessor of the county in which the qualified property is located shall
4 immediately disqualify the property for the exemption or deferral and
5 the disqualified property shall be assessed and taxed in the same
6 manner as other property is assessed and taxed.

7 (2)(a) If the disqualified property was granted an exemption, addi-
8 tional taxes shall be assessed against the property for the first prop-
9 erty tax year following the disqualification in an amount equal to the
10 difference between the taxes assessed against the property and the
11 taxes that would have been assessed against the property without the
12 exemption, for the number of years that the exemption was granted.

13 (b) If the disqualified property was granted a deferral, deferred ad-
14 ditional taxes shall be assessed against the property for the first
15 property tax year following the disqualification in an amount equal to
16 the deferred taxes for all years for which the deferral was granted.

17 SECTION 5. (1) Sections 1 to 4 of this 2016 Act are repealed on
18 January 2, 2027.

19 (2) Notwithstanding the date specified in subsection (1) of this sec-
20 tion, newly constructed or installed industrial improvements that are
21 granted exemption or deferral under an ordinance or resolution
22 adopted pursuant to section 1 of this 2016 Act shall continue to receive
23 the exemption or deferral under the provisions of the ordinance or
24 resolution.

25 SECTION 6. This 2016 Act takes effect on the 91st day after the date
26 on which the 2016 regular session of the Seventy-eighth Legislative
27 Assembly adjourns sine die.

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