

CHAPTER 111

AN ACT

HB 4028

Relating to tax expenditures; creating new provisions; amending ORS 307.517, 307.518, 307.523, 307.529, 307.535, 315.176, 315.184, 315.264, 315.516 and 317.097 and section 1, chapter 112, Oregon Laws 2016; and prescribing an effective date.

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

SECTION 1. ORS 315.176 is amended to read: 315.176. (1) As used in this section:

(a) "Biofuel" means liquid, gaseous or solid fuels, derived from biomass, that have been converted into a processed fuel ready for use as energy by a biofuel producer's customers or for direct biomass energy use at the biofuel producer's site.

(b) "Biofuel producer" means a person that, through activities in Oregon:

(A) Alters the physical makeup of biomass to convert it into biofuel;

(B) Changes one biofuel into another type of biofuel; or

(C) Uses biomass in Oregon to produce energy.

(c) "Bovine manure" means, subject to subsection (2) of this section, [cow] **cattle** manure that is produced [by cows] on Oregon farms.

(d) "Bovine manure producer or collector" means a person that produces or collects bovine manure in Oregon that is used, in Oregon, as biofuel or to produce biofuel.

(e) "Cattle" means cows, heifers, bulls, steers or calves.

(2) The Director of Agriculture may adopt rules to define criteria, only as the criteria apply to bovine manure, to determine additional characteristics of bovine manure for purposes of this section.

(3)(a) A bovine manure producer or collector shall be allowed a credit against the taxes that would otherwise be due under ORS chapter 316 or, if the taxpayer is a corporation, under ORS chapter 317 or 318 for the collection of bovine manure in Oregon that is used, in Oregon, as biofuel or to produce biofuel.

(b) A credit under this section may be claimed in the tax year in which the credit is certified under this section.

(c) A credit under this section may be claimed only once for each wet ton of bovine manure.

(4) The amount of the credit shall be calculated at a rate of \$3.50 per wet ton, as certified under this section.

(5)(a) The State Department of Agriculture may establish by rule procedures and criteria for determining the amount of the tax credit to be certified under this section. The department shall provide written certification to taxpayers that are eligible to claim the credit under this section.

(b) The State Department of Agriculture may charge and collect a fee from taxpayers for certification of credits under this section. The fee may

not exceed the cost to the department of issuing certifications.

(6) All fees collected under this section shall be deposited in the State Treasury to the credit of the Department of Agriculture Service Fund. Moneys deposited under this section are continuously appropriated to the department for the purpose of administering and enforcing the provisions of this section.

(7)(a) The Department of Revenue may [by rule] require that the State Department of Agriculture provide information about the certification issued under this section, including the name and taxpayer identification number of the taxpayer or other person receiving certification, the date the certification was issued in its final form, the approved amount of credit and the first tax year for which the credit may be claimed.

(b) A taxpayer that is a pass-through entity that has received certification under this section shall provide [the information described in paragraph (a) of this subsection] to the Department of Revenue within two months after the close of the tax year in which the certification was issued **the name, taxpayer identification number and any other information required by the department of each owner receiving a distributive share of the credit, in a manner prescribed by the department.**

(c) The Department of Revenue shall prescribe by rule the manner and the timing of submission of the information to the department.]

(8) The amount of the credit claimed under this section for any tax year may not exceed the tax liability of the taxpayer.

(9) Each bovine manure producer or collector shall maintain a record of the written certification of the amount of the tax credit under this section for a period of at least five years after the tax year in which the credit is claimed and provide the written certification to the Department of Revenue upon request.

(10) The credit shall be claimed on a form prescribed by the Department of Revenue that contains the information required by the department.

(11) Any tax credit otherwise allowable under this section that is not used by the taxpayer in a particular tax year may be carried forward and offset against the taxpayer's tax liability for the next succeeding tax year. Any credit remaining unused in the next succeeding tax year may be carried forward and used in the second succeeding tax year, and likewise any credit not used in that second succeeding tax year may be carried forward and used in the third succeeding tax year, and any credit not used in that third succeeding tax year may be carried forward and used in the fourth succeeding tax year, but may not be carried forward for any tax year thereafter.

(12) In the case of a credit allowed under this section:

(a) A nonresident shall be allowed the credit under this section in the proportion provided in ORS 316.117.

(b) If a change in the status of the taxpayer from resident to nonresident or from nonresident to resident occurs, the credit allowed by this section shall be determined in a manner consistent with ORS 316.117.

(c) If a change in the taxable year of the taxpayer occurs as described in ORS 314.085, or if the department terminates the taxpayer's taxable year under ORS 314.440, the credit allowed under this section shall be prorated or computed in a manner consistent with ORS 314.085.

SECTION 2. ORS 315.184 is amended to read:

315.184. The total amount [*claimed*] **certified by the State Department of Agriculture** for tax credits for the production or collection of bovine manure under ORS 315.176 may not exceed \$5 million for all taxpayers for any [*tax*] **calendar** year. If the [*State*] department [*of Agriculture*] receives applications for the credit sufficient to exceed this amount, the department shall by rule proportionately reduce the amount of certified credits among all taxpayers applying for the credit.

SECTION 3. ORS 317.097 is amended to read:

317.097. (1) As used in this section:

(a) "Annual rate" means the yearly interest rate specified on the note, and not the annual percentage rate, if any, disclosed to the applicant to comply with the federal Truth in Lending Act.

(b) "Finance charge" means the total of all interest, loan fees, interest on any loan fees financed by the lending institution, and other charges related to the cost of obtaining credit.

(c) "Lending institution" means any insured institution, as that term is defined in ORS 706.008, any mortgage banking company that maintains an office in this state or any community development corporation that is organized under the Oregon Nonprofit Corporation Law.

(d) "Manufactured dwelling park" has the meaning given that term in ORS 446.003.

(e) "Nonprofit corporation" means a corporation that is exempt from income taxes under section 501(c)(3) or (4) of the Internal Revenue Code as amended and in effect on December 31, 2016.

(f) "Preservation project" means housing that was previously developed as affordable housing with a contract for rent assistance from the United States Department of Housing and Urban Development or the United States Department of Agriculture and that is being acquired by a sponsoring entity.

(g) "Qualified assignee" means any investor participating in the secondary market for real estate loans.

(h) "Qualified borrower" means any borrower that is a sponsoring entity that has a controlling interest in the real property that is financed by a qualified loan. A controlling interest includes, *but is not limited to,* a controlling interest in the general partner of a limited partnership that owns the real property.

(i) "Qualified loan" means:

(A) A loan that meets the criteria stated in subsection (5) of this section or that is made to refinance a loan that meets the criteria described in subsection (5) of this section; or

(B) The purchase by a lending institution of bonds, as defined in ORS 286A.001, issued on behalf of the Housing and Community Services Department, the proceeds of which are used to finance or refinance a loan that meets the criteria described in subsection (5) of this section.

(j) "Sponsoring entity" means a nonprofit corporation, nonprofit cooperative, state governmental entity, local unit of government as defined in ORS 466.706, housing authority or any other person, provided that the person has agreed to restrictive covenants imposed by a nonprofit corporation, nonprofit cooperative, state governmental entity, local unit of government or housing authority.

(2) The Department of Revenue shall allow a credit against taxes otherwise due under this chapter for the taxable year to a lending institution that makes a qualified loan certified by the Housing and Community Services Department as provided in subsection (7) of this section. The amount of the credit is equal to the difference between:

(a) The amount of finance charge charged by the lending institution during the taxable year at an annual rate less than the market rate for a qualified loan that is made before January 1, 2026, that complies with the requirements of this section; and

(b) The amount of finance charge that would have been charged during the taxable year by the lending institution for the qualified loan for housing construction, development, acquisition or rehabilitation measured at the annual rate charged by the lending institution for nonsubsidized loans made under like terms and conditions at the time the qualified loan for housing construction, development, acquisition or rehabilitation is made.

(3) The maximum amount of credit for the difference between the amounts described in subsection (2)(a) and (b) of this section may not exceed four percent of the average unpaid balance of the qualified loan during the tax year for which the credit is claimed.

(4) Any tax credit allowed under this section that is not used by the taxpayer in a particular year may be carried forward and offset against the taxpayer's tax liability for the next succeeding tax year. Any credit remaining unused in the next succeeding tax year may be carried forward and used in the second succeeding tax year, and likewise, any credit not used in that second succeeding tax year may be carried forward and used in the third succeeding tax year, and any credit not used in that third succeeding tax year may be carried forward and used in the fourth succeeding tax year, and any credit not used in that fourth succeeding tax year may be carried forward and used in the fifth succeeding tax year, but may not be carried forward for any tax year thereafter.

(5) To be eligible for the tax credit allowable under this section, a lending institution must make

a qualified loan by either purchasing bonds, as defined in ORS 286A.001, issued on behalf of the Housing and Community Services Department, the proceeds of which are used to finance or refinance a loan that meets the criteria stated in this subsection, or by making a loan directly to:

(a) An individual or individuals who own a dwelling, participate in an owner-occupied community rehabilitation program and are certified by the local government or its designated agent as having an income level when the loan is made of less than 80 percent of the area median income;

(b) A qualified borrower who:

(A) Uses the loan proceeds to finance construction, development, acquisition or rehabilitation of housing; and

(B) Provides a written certification executed by the Housing and Community Services Department that the:

(i) Housing created by the loan is or will be occupied by households earning less than 80 percent of the area median income; and

(ii) Full amount of savings from the reduced interest rate provided by the lending institution is or will be passed on to the tenants in the form of reduced housing payments;

(c) Subject to subsection (14) of this section, a qualified borrower who:

(A) Uses the loan proceeds to finance construction, development, acquisition or rehabilitation of housing consisting of a manufactured dwelling park; and

(B) Provides a written certification executed by the Housing and Community Services Department that the housing will continue to be operated as a manufactured dwelling park during the period for which the tax credit is allowed; or

(d) A qualified borrower who:

(A) Uses the loan proceeds to finance acquisition or rehabilitation of housing consisting of a preservation project; and

(B) Provides a written certification executed by the Housing and Community Services Department that the housing preserved by the loan:

(i) Is or will be occupied by households earning less than 80 percent of the area median income; and

(ii) Is the subject of a rent assistance contract with the United States Department of Housing and Urban Development or the United States Department of Agriculture that will be maintained by the qualified borrower.

(6) A loan made to refinance a loan that meets the criteria stated in subsection (5) of this section must be treated the same as a loan that meets the criteria stated in subsection (5) of this section.

(7) For a qualified loan to be eligible for the tax credit allowable under this section, the Housing and Community Services Department must execute a written certification for the qualified loan that:

(a) Specifies the period, not to exceed 20 years, as determined by the Housing and Community Services Department, during which the tax credit is allowed for the qualified loan; and

(b) States that the qualified loan is within the limitation imposed by subsection (8) of this section.

(8) The Housing and Community Services Department may certify qualified loans that are eligible under subsection (5) of this section if the total credits attributable to all qualified loans eligible for credits under this section and then outstanding do not exceed \$25 million for any fiscal year. In making loan certifications under subsection (7) of this section, the Housing and Community Services Department shall attempt to distribute the tax credits statewide, but shall concentrate the tax credits in those areas of the state that are determined by the Oregon Housing Stability Council to have the greatest need for affordable housing.

(9) The tax credit provided for in this section may be taken whether or not:

(a) The financial institution is eligible to take a federal income tax credit under section 42 of the Internal Revenue Code with respect to the project financed by the qualified loan; or

(b) The project receives financing from bonds, the interest on which is exempt from federal taxation under section 103 of the Internal Revenue Code.

(10) For a qualified loan defined in subsection (1)(i)(B) of this section financed through the purchase of bonds, the interest of which is exempt from federal taxation under section 103 of the Internal Revenue Code, the amount of finance charge that would have been charged under subsection (2)(b) of this section is determined by reference to the finance charge that would have been charged if the federally tax exempt bonds had been issued and the tax credit under this section did not apply.

(11) A lending institution may sell a qualified loan for which a certification has been executed to a qualified assignee whether or not the lending institution retains servicing of the qualified loan so long as a designated lending institution maintains records, annually verified by a loan servicer, that establish the amount of tax credit earned by the taxpayer throughout each year of eligibility.

(12) Notwithstanding any other provision of law, a lending institution that is a community development corporation organized under the Oregon Non-profit Corporation Law may transfer all or part of a tax credit allowed under this section to one or more other lending institutions that are stockholders or members of the community development corporation or that otherwise participate through the community development corporation in the making of one or more qualified loans for which the tax credit under this section is allowed.

(13) The lending institution shall file an annual statement with the Housing and Community Services Department, specifying that it has conformed with all requirements imposed by law to qualify for a tax credit under this section.

(14) Notwithstanding subsection (1)(h) and (j) of this section, a qualified borrower on a loan to finance the construction, development, acquisition or rehabilitation of a manufactured dwelling park under subsection (5)(c) of this section must be:

(a) A nonprofit corporation, manufactured dwelling park nonprofit cooperative, state governmental entity, local unit of government as defined in ORS 466.706 or housing authority; or

(b) A nonprofit corporation or housing authority that has a controlling interest in the real property that is financed by a qualified loan. A controlling interest includes a controlling interest in the general partner of a limited partnership that owns the real property.

(15) The Housing and Community Services Department and the Department of Revenue may adopt rules to carry out the provisions of this section.

SECTION 4. The amendments to ORS 315.176, 315.184 and 317.097 by sections 1 to 3 of this 2018 Act apply to tax years beginning on or after January 1, 2018.

SECTION 5. ORS 315.516 is amended to read:

315.516. (1) In lieu of the issuance of certifications for tax credit under ORS 315.514 by the Oregon Film and Video Office, the Legislative Assembly may, no later than 30 days prior to the end of each fiscal year, appropriate to the Oregon Business Development Department for deposit into the Oregon Production Investment Fund an amount equal to the total amount that would otherwise be certified for tax credits during the **current or** upcoming fiscal year, based on the amount of contributions and accompanying applications for credit received by the office during the fiscal year **and reduced by the amount, if any, previously certified for the credit for the corresponding fiscal year.**

(2) If the Legislative Assembly makes the election allowed in subsection (1) of this section:

(a) **No additional amount of credits may be certified for the corresponding fiscal year; and**

[(a)] (b) Any contributions to the Oregon Production Investment Fund made for the upcoming fiscal year and for which an application for a credit under ORS 315.514 is [pending] **denied** shall, at the request of the taxpayer, be refunded by the Oregon Film and Video Office[; and].

[(b) A credit under ORS 315.514 may not be claimed for any contribution made during the current fiscal year.]

SECTION 6. The amendments to ORS 315.516 by section 5 of this 2018 Act apply to fiscal years beginning on or after July 1, 2017.

SECTION 7. ORS 315.264 is amended to read:

315.264. (1)(a) A credit against the tax otherwise due under ORS chapter 316 shall be allowed a taxpayer in an amount equal to a percentage of employment-related expenses of a type allowable as a credit pursuant to section 21 of the Internal Revenue Code, notwithstanding the limitation imposed by section 21(c) of the Internal Revenue Code, and limited as provided in paragraph (c) of this subsection.

(b) The credit allowed under this section may be claimed for expenses for care of a qualifying individual that allow a nonmarried taxpayer to seek employment or to attend school on a full-time or part-time basis.

(c) The employment-related expenses for which a credit is claimed under this section may not exceed the [lesser] **least** of:

[(A) Income earned in Oregon and reported on the taxpayer's return; or]

(A) Earned income taxable by Oregon and reportable on the taxpayer's return;

(B) The lesser amount of earned income taxable by Oregon earned by either spouse, if reportable on a joint return; or

[(B)] (C) \$12,000 for a taxpayer for which there is one qualifying individual, or \$24,000 for a taxpayer for which there are two or more qualifying individuals.

(d) The limitations in paragraph [(c)] (c)(C) of this subsection shall be reduced by the aggregate amount excludable under section 129 of the Internal Revenue Code for the tax year.

(2) The applicable percentage described in subsection (1) of this section shall be determined in accordance with the following table:

Greater of Federal or Oregon Adjusted Gross Income, as Percentage of Federal Poverty Level

Applicable percentage based on age of youngest qualifying individual on January 1 of tax year

Greater than	Less than or equal to	Under 3 years	At least 3 years but less than 6	At least 6 years but less than 13, or at least 13 but less than 18 if disabled	18 years or older if disabled
0%	10%	10%	8%	5%	5%
10%	20%	20%	18%	15%	5%
20%	30%	30%	28%	25%	10%
30%	40%	40%	38%	35%	20%
40%	50%	50%	48%	45%	30%
50%	60%	55%	53%	50%	35%

60%	70%	60%	58%	55%	40%
70%	80%	65%	63%	60%	45%
80%	90%	70%	68%	65%	50%
90%	110%	75%	73%	70%	55%
110%	120%	71%	69%	66%	50%
120%	130%	66%	64%	61%	45%
130%	140%	61%	59%	56%	39%
140%	150%	55%	53%	50%	33%
150%	160%	50%	48%	45%	28%
160%	200%	47%	45%	42%	25%
200%	210%	45%	43%	40%	22%
210%	220%	40%	38%	35%	20%
220%	230%	35%	33%	30%	15%
230%	240%	30%	28%	25%	10%
240%	250%	20%	18%	15%	5%
250%	260%	10%	8%	5%	5%
260%	280%	6%	6%	4%	4%
280%	300%	4%	4%	4%	4%
300%	-	0%	0%	0%	0%

(3) The applicable percentage for a household in excess of eight members shall be calculated as if for a household size of eight members.

[(4) The credit under this section is not allowed.]

[(a) To a taxpayer with federal adjusted gross income or Oregon adjusted gross income, whichever is greater, in excess of 300 percent of the federal poverty level; or]

[(b) To any taxpayer who does not report earned income that is taxable by Oregon on the taxpayer's return.]

(4) The credit under this section is not allowed to a taxpayer with federal adjusted gross income or Oregon adjusted gross income, whichever is greater, in excess of 300 percent of the federal poverty level.

(5) In order to ensure compliance with the eligibility requirements of the credit allowed under this section, the Department of Revenue shall be afforded access to utilization data maintained by the Department of Human Services in its administration of the Employment Related Day Care program.

(6) The Department of Revenue may assess a penalty in an amount not to exceed 25 percent of the amount of credit claimed by the taxpayer against any taxpayer who knowingly claims or attempts to claim any amount of credit under this section for which the taxpayer is ineligible, or against any individual who knowingly assists another individual in claiming any amount of credit for which the individual is ineligible.

(7) The Department of Revenue may adopt rules for carrying out the provisions of this section and prescribe the form used to claim a credit and the information required on the form.

(8) A nonresident individual shall be allowed the credit computed in the same manner and subject to the same limitations as the credit allowed a resident by subsection (1) of this section. However, the credit shall be prorated using the proportion provided in ORS 316.117.

(9) If a change in the taxable year of a taxpayer occurs as described in ORS 314.085, or if the De-

partment of Revenue terminates the taxpayer's taxable year under ORS 314.440, the credit allowed by this section shall be prorated or computed in a manner consistent with ORS 314.085.

(10) If a change in the status of a taxpayer from resident to nonresident or from nonresident to resident occurs, the credit allowed by this section shall be determined in a manner consistent with ORS 316.117.

(11) If the amount allowable as a credit under this section, when added to the sum of the amounts allowable as payment of tax under ORS 316.187 or 316.583, other tax prepayment amounts and other refundable credit amounts, exceeds the taxes imposed by ORS chapters 314 and 316 for the tax year after application of any nonrefundable credits allowable for purposes of ORS chapter 316 for the tax year, the amount of the excess shall be refunded to the taxpayer as provided in ORS 316.502.

(12) Any amount that is refunded to the taxpayer under this section and that is in excess of the tax liability of the taxpayer does not bear interest.

SECTION 8. The amendments to ORS 315.264 by section 7 of this 2018 Act apply to tax years beginning on or after January 1, 2018.

SECTION 9. (1) Notwithstanding ORS 92.095, 307.155 and 311.411, if land that is exempt under ORS 307.150 ceases to be used or held exclusively for cemetery or crematory purposes, the additional taxes that would otherwise be due under ORS 307.155 (2) shall remain a potential tax liability that is not imposed if:

(a) As of the date of sale or other transfer of title to the land, the land is being used or held for the purpose of providing low income housing that will be exempt from ad valorem property taxation under ORS 307.515 to 307.523 or 307.540 to 307.548; and

(b) All other requirements set forth in subsections (2) to (5) of this section are met.

(2) At the time of recording the deed to the land with the county clerk, the owner of the

land shall file with the assessor of the county, and the governing body of the city or county that adopted the low income housing exemption, as applicable, in which the land is located a notice of intent:

(a) To apply for the exemption for low income housing under ORS 307.515 to 307.523 or 307.540 to 307.548 on the land; and

(b) To benefit from the provisions of this section.

(3)(a) The owner of the land must file the application for exemption, as applicable:

(A) Under ORS 307.521, no later than the deadlines set forth in ORS 307.523 that first occur after the date on which the owner recorded the deed to the land; or

(B) Under ORS 307.545, no later than the deadlines set forth in that section that first occur after the date on which the owner recorded the deed to the land.

(b) If the governing body to which the owner applies denies the application, the additional taxes described in ORS 307.155 (2) become due on the land.

(4) If the land is held for the purpose of developing low income housing for a period exceeding the reasonable maximum period, if any, adopted by the governing body of the city or county under ORS 307.517, 307.518 or 307.541, as applicable to the exemption granted for the land, the additional taxes described in ORS 307.155 (2) become due on the land.

(5)(a) If the land is not used to provide low income housing that is exempt under ORS 307.515 to 307.523 or 307.540 to 307.548 for at least 10 consecutive property tax years, the additional taxes described in ORS 307.155 (2) become due on the land. Any period for which the land is held for the purpose of developing low income housing on the land does not count toward the 10 consecutive property tax years.

(b) After the land has been used to provide low income housing that is exempt under ORS 307.515 to 307.523 or 307.540 to 307.548 for at least 10 consecutive property tax years, the potential tax liability of the land for the additional taxes described in ORS 307.155 (2) shall end.

(6) Additional taxes that become due on the land under this section:

(a) Shall be added to the next general property tax roll, to be collected and distributed in the same manner as other real property taxes.

(b) Are in addition to any additional taxes or other charges that become due upon disqualification of property exempt under ORS 307.515 to 307.523 or 307.540 to 307.548.

(7) The lien for additional taxes that become due under this section, and the interest on the additional taxes, shall attach as of July 1 of the property tax year in which the additional taxes become due under this section.

(8) For each year that the additional taxes described in ORS 307.155 (2) remain a potential

tax liability that is not imposed under this section, the assessor shall enter on the assessment and tax roll, with respect to the land, the notation “(potential additional tax).”

(9) The amount of additional taxes determined to be due under this section may be paid to the tax collector prior to the completion of the next general property tax roll, pursuant to ORS 311.370.

(10) Additional taxes collected under this section shall be deemed to have been imposed in the year to which the additional taxes relate.

SECTION 10. ORS 307.517 is amended to read:

307.517. (1) Property or a portion of the property is exempt from taxation as provided under ORS 307.515 to 307.523 if:

(a) The property is:

(A) Offered for rent; or

(B) Held for the purpose of developing low income rental housing, for a period not exceeding a reasonable maximum period, if any, adopted by the governing body;

(b) The property, if occupied, is occupied solely by low income persons;

(c) The required rent payment reflects the full value of the property tax exemption;

(d) The exemption has been approved as provided in ORS 307.523, **pursuant to an application filed before July 1, 2020;**

(e) The housing units on the property were constructed after the local governing body adopted the provisions of ORS 307.515 to 307.523; and

(f) The information disclosed on the application filed pursuant to ORS 307.521 meets any other criteria adopted by the governing body.

(2) A governing body that adopts the provisions of ORS 307.515 to 307.523 may adopt additional criteria for exemption that do not conflict with the criteria described in subsection (1)(a) to (e) of this section.

(3) For the purposes of subsection (1) of this section, a person that has only a leasehold interest in property is deemed to be a purchaser of that property if:

(a) The person is obligated under the terms of the lease to pay the ad valorem taxes on the real and personal property used in this activity on that property; or

(b) The rent payable has been established to reflect the savings resulting from the exemption from taxation.

SECTION 11. ORS 307.518 is amended to read:

307.518. (1) Property or a portion of property is exempt from taxation as provided under ORS 307.515 to 307.523 if:

(a) The property, if unoccupied, is:

(A) Offered for rental solely as a residence for low income persons; or

(B) Held for the purpose of developing low income rental housing, for a period not exceeding a

reasonable maximum period, if any, adopted by the governing body;

(b) The property, if occupied, is occupied solely as a residence for low income persons;

(c) An exemption for the property has been approved as provided under ORS 307.523, pursuant to an application filed before [January] **July 1, 2020**;

(d) The property is owned or being purchased by a nonprofit corporation organized in a manner that meets the criteria for a public benefit corporation or a religious corporation, both terms as defined in ORS 65.001;

(e) The property is owned or being purchased by a nonprofit corporation that expends no more than 10 percent of the nonprofit corporation's annual income from residential rentals for purposes other than the acquisition, maintenance or repair of residential rental property for low income persons or for the provision of on-site child care services for the residents of the rental property; and

(f) The information disclosed on the application pursuant to ORS 307.521 meets any other criteria adopted by the governing body.

(2) A governing body that adopts the provisions of ORS 307.515 to 307.523 may adopt additional criteria for exemption that do not conflict with the criteria described in subsection (1)(a) to (e) of this section.

(3) For the purposes of this section, a nonprofit corporation that has only a leasehold interest in property is considered to be a purchaser of that property if:

(a) The nonprofit corporation is obligated under the terms of the lease to pay the ad valorem taxes on the real and personal property used in the rental activity on that property; or

(b) The rent payable has been established to reflect the savings resulting from the exemption from taxation.

(4) A partnership shall be considered a nonprofit corporation for purposes of this section if:

(a) A nonprofit corporation is a general partner of the partnership; and

(b) The nonprofit corporation is responsible for the day-to-day operation of the property that is the subject of the exemption under ORS 307.515 to 307.523.

SECTION 12. ORS 307.523 is amended to read:

307.523. (1) Application shall be made on or before December 1 of the calendar year immediately preceding the first assessment year for which exemption is requested, and shall be accompanied by the application fee required under ORS 307.527. However, if the property is acquired after November 1, the application shall be made within 30 days after the date of acquisition.

(2) Within 60 days of the filing of an application under ORS 307.521, the governing body shall take final action upon the application as provided under ORS 307.527, and certify the results of the action to the county assessor, as set forth in ORS 307.512.

(3) Upon receipt of certification under subsection (2) of this section, the county assessor shall exempt the property from taxation to the extent certified by the governing body.

(4) Notwithstanding the dates specified in ORS 307.517 and 307.518, property granted exemption pursuant to an application filed under ORS 307.517 or 307.518 before July 1, 2020, shall continue to receive the exemption on the same terms, including duration, on which the exemption was granted.

SECTION 13. ORS 307.529 is amended to read:

307.529. (1) Except as provided in ORS 307.531, if, after an application for exemption under ORS 307.517 has been approved under ORS 307.527, the governing body finds that construction or development of the exempt property differs from the construction or development described in the application for exemption, or is not completed on or before [January] **July 1, 2020**, or that any provision of ORS 307.515 to 307.523 is not being complied with, or any provision required by the governing body pursuant to ORS 307.515 to 307.523 is not being complied with, the governing body shall give notice of the proposed termination of the exemption to the owner, by mailing the notice to the last-known address of the owner, and to every known lender, by mailing the notice to the last-known address of every known lender. The notice shall state the reasons for the proposed termination and shall require the owner to appear at a specified time, not less than 20 days after mailing the notice, to show cause, if any, why the exemption should not be terminated.

(2) If the owner fails to appear and show cause why the exemption should not be terminated, the governing body shall notify every known lender, and shall allow any lender not less than 30 days after the date the notice of the failure to appear and show cause is mailed to cure any noncompliance or to provide assurance adequate to the governing body that all noncompliance shall be remedied.

(3) If the owner fails to appear and show cause why the exemption should not be terminated, and the lender fails to cure or give adequate assurance of the cure of any noncompliance, the governing body shall adopt an ordinance or resolution stating its findings terminating the exemption. A copy of the ordinance or resolution shall be filed with the county assessor, and a copy shall be sent to the owner at the owner's last-known address and to the lender at the last-known address of the lender within 10 days after its adoption.

SECTION 14. ORS 307.535 is amended to read:

307.535. Notwithstanding any provision of ORS 307.515 to 307.523:

(1) If the governing body finds that construction of the housing unit otherwise entitled to exemption under ORS 307.517 was not completed by [January] **July 1, 2020**, due to circumstances beyond the control of the owner, and that the owner had been acting and could reasonably be expected to act in good

faith and with due diligence, the governing body may extend the deadline for completion of construction for a period not to exceed 12 consecutive months.

(2) If property granted exemption under ORS 307.515 to 307.523 is destroyed by fire or act of God, or is otherwise no longer capable of owner-occupancy due to circumstances beyond the control of the owner, the exemption shall cease but no additional taxes shall be imposed upon the property under ORS 307.531 or 307.533.

SECTION 15. Section 1, chapter 112, Oregon Laws 2016, is amended to read:

Sec. 1. (1) As used in sections 1 to 5 [of this 2016 Act], **chapter 112, Oregon Laws 2016:**

(a) “Eligible location” means land and improvements that are located in a rural area. **“Eligible location” includes a location that has not formerly been used for industrial purposes.**

(b) “Eligible property” means improvements classified as industrial under rules established by the Department of Revenue pursuant to ORS 308.215 (1)(a)(C), and associated personal property, **whether appraised by the county or by the Department of Revenue,** that:

(A) Are newly constructed or installed at an eligible location; and

(B) Have a cost of initial investment to the purchaser of at least \$1 million and not more than \$25 million.

(c) “Qualified property” means eligible property for which an application has been approved under section 2 [of this 2016 Act], **chapter 112, Oregon Laws 2016.**

(d) “Rural area” means an area located in **unincorporated territory, or in a city with a population of less than 40,000, that is located** entirely outside of the urban growth [boundary of a city with a population] **boundaries of any and all cities with populations of 40,000 or more, as the urban growth [boundary is] boundaries are** acknowledged on the date on which an applicant submits an application for eligible property under section 2 [of this 2016 Act], **chapter 112, Oregon Laws 2016.**

(2)(a) The governing body of a city or county may adopt an ordinance or resolution granting a property tax exemption for eligible property located within the boundaries of the city or county, respectively.

(b) The terms of the exemption must conform to the provisions of sections 1 to 5 [of this 2016 Act], **chapter 112, Oregon Laws 2016.** In addition, an ordinance or resolution adopted under this subsection shall establish standards for the imposition of conditions described in section 2 (4) [of this 2016 Act], **chapter 112, Oregon Laws 2016.**

(3)(a) Qualified property must be:

(A) Owned or leased by the applicant filing the application under section 2 [of this 2016 Act], **chapter 112, Oregon Laws 2016.**

(B) Used through the final year of exemption for the purpose, and at the location, identified in the

application filed under section 2 [of this 2016 Act], **chapter 112, Oregon Laws 2016.**

(b) The exemption:

(A) May be granted to eligible property only if the first assessment year to which the application filed under section 2 [of this 2016 Act], **chapter 112, Oregon Laws 2016,** relates is the first assessment year that begins after the eligible property was first placed in service; and

(B) Shall be granted only for qualified property that was first placed in service after the ordinance or resolution was adopted.

(4)(a) The exemption shall be granted as a 100 percent exemption of the real market value of the qualified property for any three out of five consecutive property tax years.

(b) Notwithstanding paragraph (a) of this subsection, the city or county may specify in the ordinance or resolution:

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

(B) Any number of years not greater than five for which the exemption shall be granted.

(C) The percentage of the real market value of the qualified property granted exemption for each year.

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

(5)(a) An ordinance or resolution adopted pursuant to this section may not take effect unless, upon request of the city or county that adopted the ordinance or resolution, the rates of taxation of the taxing districts whose governing bodies agree to grant the exemption, when combined with the rate of taxation of the city or county, equal 75 percent or more of the total combined rate of taxation on the qualified property.

(b) Upon the taking effect of the ordinance or resolution, the exemption shall apply to all property tax levies of all taxing districts in which qualified property is located.

(c) The decisions of the taxing districts under paragraph (a) of this subsection may not be changed but are not binding with respect to an ordinance or resolution adopted pursuant to subsection (6) of this section or a new ordinance or resolution adopted pursuant to subsection (2) of this section.

(d) All qualified property shall be granted exemption under this section, or deferral under section 3 [of this 2016 Act], **chapter 112, Oregon Laws 2016,** on the same terms provided in the ordinance or resolution adopted or amended by the city or county and in effect on the date the application is submitted under section 2 [of this 2016 Act], **chapter 112, Oregon Laws 2016.**

(6)(a) A city or county may adopt at any time an ordinance or resolution amending the terms of an exemption granted pursuant to this section or a deferral granted pursuant to section 3 [of this 2016 Act], **chapter 112, Oregon Laws 2016,** subject to

approval of the taxing districts under subsection (5)(a) of this section, or terminating the exemption or deferral.

(b) Notwithstanding an ordinance or resolution adopted under paragraph (a) of this subsection, qualified property that has been granted an exemption pursuant to this section, or a deferral pursuant to section 3 [of this 2016 Act], **chapter 112, Oregon Laws 2016**, shall continue to receive the exemption or deferral under the terms in effect at the time the exemption or deferral was first granted.

(7) If a city or county proposes an ordinance or resolution providing for an exemption on terms other than the terms provided in subsection (4)(a) of this section, the ordinance or resolution may not take effect unless the governing body of the city or county, as applicable, receives testimony from the county assessor at a public hearing on the question regarding the cost and administration of the proposed terms of the exemption.

(8)(a) Qualified property granted an exemption pursuant to this section, or a deferral pursuant to section 3 [of this 2016 Act], **chapter 112, Oregon**

Laws 2016, is not eligible for any other property tax exemption or special assessment.

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

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

SECTION 16. The amendments to section 1, chapter 112, Oregon Laws 2016, by section 15 of this 2018 Act apply to ordinances and resolutions adopted under section 1, chapter 112, Oregon Laws 2016, on or after the effective date of this 2018 Act.

SECTION 17. This 2018 Act takes effect on the 91st day after the date on which the 2018 regular session of the Seventy-ninth Legislative Assembly adjourns sine die.

Approved by the Governor April 13, 2018
 Filed in the office of Secretary of State April 13, 2018
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