**Brief: Oregon Economic Development Tax Subsidies**
**OSPIRG, May 2013**

Note: Unless otherwise specified, the information provided here is taken from the 2013-15 Oregon Tax Expenditure Report: http://www.oregon.gov/gov/priorities/Documents/2013-15_Tax_Expenditure_Report.pdf

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**<u>Oregon Investment Advantage (Income Tax)</u>**
Estimated revenue impact 2013-15 (corporate): **$1.3 million**
Sunset Date: None; partial sunset in 6/30/2016 based on expanded county eligibility criteria
Certifying Agency: Oregon Business Development Department
Reporting Agency: Oregon Business Development Department

**How it works**:
This program exempts state taxes from the income that is attributable to operations that are new in Oregon for a business on an approved facility in a qualified location. In general, facilities must be within the urban growth boundary of a city of 15,000 or fewer residents, or in an industrially zoned land. The location must also be in a county that meets certain criteria related to unemployment levels and per capita income (criteria not specified).

Exempt corporate income of a business is determined by multiplying the business's taxable income by the sum of: 50% of the ratio of the payroll of the business from employment at the certified facility over total statewide payroll of the business; 50% of the ratio of the average value of property of the business at the certified facility over the average value of the property of the business statewide

The exemption lasts for 10 years.

**Qualifications**: In order to claim the exemption, the business must receive preliminary certification from OBDD, for which the firm must apply before commending work on facility property. To qualify ALL of the following must be true:

- A facility must be intended to operate for at least 10 years
- The firm must intend to hire five or more full time/year round employees at the wage that is at least 50% higher than the per capita income for the county, or at the per capita personal income for the county and provide health insurance
- The operation at the facility must constitute new business operations, unlike what the firm does anywhere else in Oregon
- The operations must not compete with existing employers in the city or county where the facility is located.

**Who benefits**: According to the Oregon Transparency website, the companies that are taking advantage of this credit are Bend Broadband Vault, LLC, DNP Green Technology/Bioamber, Inc, Composites Universal Group, netMatrix Telecom, LLC, Agri Energy Producers, Inc, Jefferson State Forest Products, LLC, ORPET, ZeaChem, Inc, **Chaves Consulting Inc./ Arikkan Inc**., Sport Copter, Inc.

**Accountability**: According to the TER, "most" of these businesses have received annual certifications one to three times, and in total, could be associated with new hiring of 1,100 full time/year round jobs, earning in excess of $35-40,000 of average compensation. No proof is provided.

**Information on Oregon Transparency website**: <u>Required.</u>

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**<u>Strategic Investment Program (Property Tax)</u>**
Estimated revenue loss 2013-15 (corporate): **$322.4 million**
Sunset Date: None
Certifying Agency: Oregon Business Development Commission, Oregon Business Development Department and Department of Revenue
Reporting Agency: Oregon Business Development Department

**How it works**:
A partial property exemption is allowed for up to 15 years for eligible projects if the real market value of the new investment is equal to or exceeds $100 million ($25 million in rural areas). The assessed value of the property below this threshold in the first year is subject to taxes; the remainder, in excess of the threshold, is exempt. The exemption threshold then increases 3 percent a year during the exemption period.

**Qualifications**:
The new investment must be equal to or exceed $100 million ($25 million in rural areas). The new investment must also benefit a traded-sector industry, which is one that sells goods or services in markets with national or international competition, included but not limited to manufacturing.

Approval of a SIP project necessitates a county public hearing, written agreement between the business firm and the county and city, and formal action by the county governing body. The OBDC makes the final determination for the project to receive SIP tax treatment.

**Who benefits**: According records obtained through a public records request, Intel, LSI Logic, Georgia Pacific, Microchip Technology Inc, Willow Creek Energy LLC, Portland General Electric Company, NextErz Energy Resources, LLC, Pebble Springs Wind, LLC, Klondike Wind Power III, LLC, Hay Canyon Wind, LLC, Georgia-Pacific Consumer Products LP, Genentech USA Inc, Exelon Wind LLC, Eurus Combina Hills II LLC, EDP Renewables North America LLC, are among the companies participating in the SIP program.

**Accountability**: Annual report required in order to qualify for an exemption the following tax year.

**Information on Oregon Transparency website**: <u>Required</u>.

**Enterprise Zone Business (Property Tax)**
Estimated revenue loss 2013-15 (corporate): **$45 million**
Sunset Date: 6/30/2025
Certifying Agency: Oregon Business Development Department
Reporting Agency: Oregon Business Development Department

**How it works**:
Real and personal property owned or leased and newly placed into service by a qualified business firm in an enterprise zone is exempt from property tax for three years, and may be extended to four or five years subject to employee compensation requirements.

**Qualifications**:
Eligible business includes manufacturers, processors, shippers and a variety of operations that serve other organizations, as well as call centers and headquarter-type facilities. Hotel/resort businesses also are eligible in some of the enterprise zones. Otherwise, retail, construction, financial and certain other defined activities are ineligible.

Qualified property includes: a new building/structure, structural modifications or additions, or newly installed machinery and equipment qualify for exemption, but not land, previously used property value and miscellaneous personal items.

In almost every case, the businesses' enterprise zone employment must rise by the greater of one job or 10%, and be annually maintained at or above that level during the tax abatement period.

Pre-approval/certification is required.

**Who benefits**: According to records obtained through a public records request, there are over 250 firms currently taking advantage of the Enterprise Zone program. Among the companies taking advantage of this program are Boeing, Ninkasi, SolarWorld, and Chavez Consulting, Inc.

**Accountability**: Property is disqualified if it is used for ineligible activity (example: retail), or if the firm substantially curtails operations or closes. When property becomes disqualified, prior exempt taxes must be repaid.

The accountability around job creation is unknown, but likely varies widely by administrator.

**Information on Oregon Transparency website**: Required.

**<u>Long Term Rural Enterprise Zone (Property Tax)</u>**
Estimated revenue loss 2013-15 (corporate): **$32.3 million**
Sunset Date: 6/30/2025
Certifying Agency: Oregon Business Development Department
Reporting Agency: Oregon Business Development Department

**How it works**:
The value of all new property and improvements at certain large facilities in a rural enterprise zone can be exempt from property tax for 7 to 15 years. Construction on new property may also be exempt.

**Qualifications**:
Qualified businesses must be certified with both the enterprise zone sponsor and the county assessor of the county in which the proposed facility is located. The firm must meet the requirements on minimum level of investment (between $1 million and $25 million), minimum number of new hires, and employee compensation.

Businesses receiving this property tax exemption are also eligible for a corporate income tax credit, if approved by the Governor.

**Who benefits**: Information on the companies that take advantage of this credit is not available.

**Accountability**: If a certified business fails to meet the requirements of the program, prior exempt taxes must be repaid.

**Information on Oregon Transparency website**: <u>Not required</u>. None provided.

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**<u>Long Term Rural Enterprise Zone (Income Tax)</u>**
Estimated revenue loss 2013-15 (corporate): **Not available**
Sunset Date: 6/30/2025
Certifying Agency: Governor's Office
Reporting Agency: Oregon Department of Revenue

**How it works**:
Corporations that make certain large investments in a rural enterprise zone facility are eligible for a corporate income tax credit, which must be approved by the Governor.

The tax credit is equal to 62.5% of the taxpayer's gross payroll costs at the facility. The credit applies only against liabilities of more than a minimum amount of $1 million or less depending on location and size of workforce.

The credit lasts for 5-15 years (determined by the governor).

**Qualifications**:
To be eligible, the investment must be located in a county with chronic unemployment or low income. Depending on the location in the state, the investment also must exceed a certain minimum amount ranging up to $25 million, the firm must hire at least 10-75 full time employees within 3-5 years and the average annual worker compensation must be at least 50% above the county average wage.

The credit must be approved by the Governor.

**Who benefits**: Information on companies who have been approved for this credit is not available.

**Accountability**: None stated.

**Information on Oregon Transparency website**: <u>Required</u>.

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**Electronic Commerce Enterprise Zone (Income Tax)**
Estimated revenue loss 2013-15 (corporate): **$300,000**
Sunset Date: 12-31-2017
Certifying Agency: Oregon Business Development Department
Reporting Agency: Oregon Department of Revenue

**How it works**:
The credit is worth 25% of the investments made by the company during the tax year in e-commerce operations within the designated area. The maximum credit is $2 million, and a firm may carry unused credits for up to five years.

**Qualifications**: A qualifying firm must be engaged or preparing to engage in e-commerce in an e-commerce enterprise zone. E-commerce is defined as "engaging in commercial or retail transactions predominantly over the Internet or a computer network, utilizing the Internet as a platform for transacting business, or facilitating the use of the Internet by other persons for business transactions."

**Who benefits**: Information on companies who have been approved for this credit is not available.

**Accountability**: None stated.

**Information on Oregon Transparency website**: Required.

**Reservation Enterprise Zone (Income Tax)**
Estimated revenue loss 2013-15 (corporate): **Less than $100,000**
Sunset Date: 12-31-2017
Certifying Agency: Oregon Business Development Department
Reporting Agency: Oregon Department of Revenue

**How it works**:
Qualified businesses operating a new business facility in a reservation enterprise zone may claim an income tax credit for the amount of tribal tax paid. The amount of the credit is prorated for nonresidents and part-year residents.

The credit must be used in the same year that taxes are paid and may not be carried forward.

**Qualifications**: Not specified.

**Who benefits**: Information on companies who have been approved for this credit is not available.

**Accountability**: None stated.

**Information on Oregon Transparency website**: Required.

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**<u>Rural Renewable Energy Development Zone (Property Tax)</u>**
Estimated revenue loss 2013-15 (corporate): **$2.2 million**
Sunset Date: None
Certifying Agency: Oregon Business Development Department
Reporting Agency: Oregon Business Development Department

**How it works**:
This program is akin to the enterprise zone business credit, except that this one is only for projects involving the generation of electricity from a renewable energy resource or the manufacturing, storage, or distribution of ethanol, biodiesel or other similar fuels.

The property tax exemption lasts for three years, but can be extended to up to five years, subject to employment requirements.

**Qualifications**:
Qualifying firm must be involved in the production of biofuels or electricity from renewable energy sources in rural communities.

**Who benefits**: Information on companies who have been approved for this credit is not available.

**Accountability**: None stated, other than the extension of the credit being contingent upon employment deliverables.

**Information on Oregon Transparency website**: <u>Required</u>.

**Renewable Resource Equipment Manufacturing Facilities (Income Tax)**
Estimated revenue loss 2013-15 (corporate): **$51 million**
Sunset Date: Taxpayers must receive preliminary certification by 12-31-13
Certifying Agency: Oregon Business Development Department
Reporting Agency: Oregon Department of Energy

**How it works**:
Qualifying facilities are eligible for a tax credit equal to 50% of the total eligible costs—including the building, equipment and machinery. Costs are limited to $2.5 million for an electric vehicle facility, and $40 million for all other eligible facilities.

Businesses that claim this credit must get preliminary and final certification from OBDD, and does include performance metrics such as job creation and retention and other “economic benchmarks.”

The credit may be spread out over 5 tax years (at 10%), but cannot exceed the tax liability of the taxpayer. Credits may be transferred or sold once.

**Qualifications**:
This credit was formerly part of the Business Energy Tax Credit (BETC), and is a credit for the building, equipment, and machinery and other expenses related to the manufacturing of renewable energy products such as solar cells, wind turbines, or components manufactured for primary use in products using renewable energy, renewable energy storage devices, and the manufacture of electric vehicles or parts of electric vehicles.

**Who benefits**: According to the Oregon Transparency Website, SANYO Solar of Oregon is the only company participating in the program in 2011, claiming a tax credit of $20 million. The names of other participating companies are unknown.

**Accountability**: The credit is subject to revocation and penalties equal to paying back taxes should the performance measures not be met.

**Information on Oregon Transparency website**: Required.

**<u>Transportation Projects (Income Tax)</u>**
Estimated revenue loss 2013-15 (corporate): **$5.6 million**
Sunset Date: 12-31-2017
Certifying Agency: Oregon Department of Energy
Reporting Agency: Oregon Department of Energy

**How it works**: (Language taken from TER)
To claim the Transportation Project credit, taxpayers must receive final certification from the ODOE. Alternative fuel vehicle infrastructure (AFVI) projects are eligible for a credit equal to 35% of the certified costs. For transit service projects other than AFVI projects, the credit is equal to the following percentage of the certified cost:

- 25% from July 1, 2011 to December 31, 2012
- 20% from January 1, 2013 to December 31, 2013
- 15% from January 1, 2014 to December 31, 2014
- 10% from January 1, 2015 to December 31, 2015

The program is limited to $20 million per biennium. Unused credits (due to insufficient tax liability) may be carried forward for up to five years.

**Qualifications**:
This tax credit is allowed for public or nonprofit entities that provide transit services to members of the public (and that receive state or federal funding for those services) and for entities that develop AFVI projects, such as electric vehicle charging and compressed natural gas systems.

**Who benefits**: Businesses that invest in alternative fuel vehicle infrastructures. Taxpayers with a tax liability who purchase tax credits and public or nonprofit entities that provide transit services to members of the public and that receive state or federal funding from those services also benefit (though are not included in the corporate total).

**Accountability**: None stated.

**Information on Oregon Transparency website**: <u>Required</u>.

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**<u>Energy Conservation Projects (Income Tax)</u>**
Estimated revenue loss 2013-15 (corporate): **$8.9 million**
Sunset Date: 12-31-2017
Certifying Agency: Oregon Department of Energy
Reporting Agency: Oregon Department of Energy

**How it works**:
Qualifying energy conservation projects are eligible for up to 35% of project cost. The credit is taken over a five year period: 10% in the first and second years, and 5% each year thereafter.

The program is limited to $28 million per biennium. Any unused credit (due to insufficient tax liability) may be carried forward for up to five years.

**Qualifications**:
To qualify for an Energy Conservation Project, the project must be certified by ODOE.

**Who benefits**: Businesses who invest in energy conservation projects. Those businesses include Georgia Pacific, Fred Meyer and Sherwin Williams, among others.

**Accountability**: None stated.

**Information on Oregon Transparency website**: <u>Required</u>.

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**Production or Collection of Biomass (Income Tax)**
Estimated revenue loss 2013-15 (corporate): **$2.3 million**
Sunset Date: 12-31-2017
Certifying Agency: Oregon Department of Energy
Reporting Agency: Oregon Department of Energy

**How it works**:
This credit is for producers and collectors of biomass that will be used as biofuels or to produce biofuels. The credit is computed as a product of the quantity of biomass produced and credit rate. The credit rates vary by the type of biomass.

**Qualifications**:
Eligible taxpayers include agricultural producers or biomass collectors. The biomass must be collected in Oregon. The biomass must be used as a biofuel or to produce biofuel in Oregon. Taxpayers must apply to ODOE.

**Who benefits**: Companies who claim the credit in 2010-2011 include, BAR Trucking, Inc, Southern Oregon Tree Care, LLC, Quality Trading Company, LLC, Wolfco Timber Services, LLC, Elkhorn Biomass, LLC, Grimm's Fuel Company, Inc, Pacific Pellet, LLC, Woodgrain Millwork, Inc, Summit Natural Energy Corporation, Quicksilver Contracting Co.

**Accountability**: None stated.

**Information on Oregon Transparency website**: Required.

**Film Production Labor Rebate- GREENLIGHT (Income Tax)**
Estimated revenue loss 2013-15 (corporate): **$700,000**
Sunset Date: 12-31-2017
Certifying Agency: Oregon Film and Video Office
Reporting Agency: Oregon Business Development Department

**How it works**:
This credit is available for companies that incur more than $1 million in expenses for film, commercial or television production in Oregon. The rebate is equal to 6.2% of payroll, for which Oregon withholding applies, paid during the qualified production.

**Qualifications**:
Production companies who spend more than $1 million in expenses and have been certified by the Oregon Film and Video Office are eligible for this credit.

**Who benefits**: According to the Oregon Transparency website the companies that took advantage of this credit in 2010-2011 include The Staircase Production LLC, Restless Productions Inc, Leverage 3 Productions Inc, Bent Image Lab LLC, Funnelbox Inc, Laika Inc, At Large Films Inc, Respond2 Communications Inc, Electric BT Productions Inc, Sidestreet Entertainment Inc.

**Accountability**: Upon completion of the film production, OFVO verifies actual expenses and does not allow the rebate if expenses are below $1 million.

**Information on Oregon Transparency website**: Required.

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**Film Production Development Contribution (Income Tax)**
Estimated revenue loss 2013-15 (corporate): **Less than $100,000**
Sunset Date: 12-31-2017
Certifying Agency: Oregon Film and Video Office
Reporting Agency: Oregon Business Development Department

**How it works**:
A credit against corporate or personal income tax is available to taxpayers for certified contributions to the Oregon Production Investment Fund. Every year, the Department of Revenue and the Oregon Film and Video Office auction off the available tax credit. The reserve amount must be at least 95% of the total amount of the tax credit, but only $6 million are available annually.

These tax credits are non-transferrable, but may be carried forward for up to three years.

Contributions to the Oregon Production Investment Fund are used to reimburse qualifying filmmakers for a portion of their Oregon expenses, namely a 20% cash rebate on production-related goods and services paid to Oregon vendors and a 10% cash rebate of wages paid for work done in Oregon including both Oregon and non-Oregon residents. A production must directly spend at least $750,000 in Oregon to qualify.

**Qualifications**:
There are no qualifications for taxpayers who participate in the auction. In order to receive a cash rebate, production companies must spend at least $750,000 in Oregon.

**Who benefits**: Taxpayers who purchase the credit and companies who receive a cash rebate. Information on the taxpayers who purchased the credit is available, but the information on companies who have been given the cash rebate is not available.

**Accountability**: None stated.

**Information on Oregon Transparency website**: Required.

**Food Processing Equipment (Property Tax)**
Estimated revenue loss 2013-15 (corporate): **$1.6 million**
Sunset Date: 6-30-2013
Certifying Agency: Oregon Department of Agriculture
Reporting Agency: Oregon Department of Agriculture

**How it works**:
Newly acquired machinery or equipment used by food processing businesses is exempt from property taxation for five years. The machinery itself may be new or used.

**Qualifications**:
Qualified machinery must be certified by the Oregon Department of Agriculture. Food processing businesses are defined as those that can freeze, can, dehydrate, concentrate, preserve, process or repack fruit, vegetables, nuts, legumes, or seafood in any procedure that occurs before the first sale by the processor. Equipment used for egg processing is exempt under a different expenditure. Producers of alcoholic beverages are ineligible.

**Who benefits**: Information on companies who have been approved for this credit is not available.

**Accountability**: None stated.

**Information on Oregon Transparency website**: Required.

**Egg Processing Equipment (Property Tax)**
Estimated revenue loss 2013-15 (corporate): **Less than $100,000**
Sunset Date: 6-30-2012
Certifying Agency: Oregon Department of Agriculture
Reporting Agency: Oregon Department of Agriculture

**How it works**:
Newly acquired machinery or equipment used by egg processing businesses is exempt from property taxation for five years. The machinery itself may be new or used.

**Qualifications**:
Qualified machinery must be certified by the Oregon Department of Agriculture. Egg processing businesses are defined as those that can freeze, can, dehydrate, concentrate, preserve, process or repack eggs in any procedure that occurs before the first sale by the processor.

This Egg Processing exemption only occurs when the taxing districts have adopted an ordinance or resolution that authorizes the exemption.

**Who benefits**: Information on companies who have been approved for this credit is not available.

**Accountability**: None stated.

**Information on Oregon Transparency website**: Required. Not provided. Project has sunsetted.

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**<u>Qualified Low Income Community Investments (Income Tax)</u>**
Estimated revenue loss 2013-15 (corporate): **$1.1 million**
Sunset Date: 6-30-2016
Certifying Agency: Oregon Business Development Department
Reporting Agency: Oregon Department of Revenue

**How it works**:
This tax credit is intended to help finance investments and create jobs in low-income communities and is a state version of the Federal New Markets Tax Credit.

The tax credits are realized over the course of seven years. The total tax credit is calculated as 39% of the total qualified investment. The qualified investment amount is not to exceed $4 million per project, and $16 million total per year.

- 0% for years 1 and 2
- 7% for year 3
- 8% for years 4, 5, 6, and 7

15% of the total credit is reserved for clean energy projects. Credit may be carried forward indefinitely, but cannot be transferred or sold.

**Qualifications**:
"Community Development Entities" (CDEs) in Oregon who have been allocated Federal New Markets Tax Credits may apply. The Oregon new markets tax credits are then provided to investors who make qualified equity investments in community development entities that in turn invest in projects located in low-income communities.

Investments can only be made in qualified existing low-income community businesses located in Oregon (as defined by the section 45D of the Internal Revenue Code).

Applications are accepted on a first-come, first-serve basis, until $200 million of allocation is awarded. A $20,000 nonrefundable fee from the CDE is due when the application is submitted and an evaluation fee of $1,000 is due each of the seven years.

**Who benefits**: Information on companies that have been approved for this credit is not available.

**Accountability**: The Department of Revenue can recapture any portion of the tax credit if:

- Any amount is recaptured by the Federal Government from the New Market Tax Credit
- If the qualified entity fails to invest at least 85% of the agreed upon investment to a qualified low-income community project within 12 months of the issuance of the credit.

**Information on Oregon Transparency website**: <u>Not Required</u>.