

WHAT ARE OREGON ENTERPRISE ZONES?

ORS 285B.665 (1999) sums up the purpose for enterprise zone legislation, first enacted by the Oregon Legislature in 1985, as follows:

“The health, safety and welfare of the people of this state are dependent upon the continued encouragement, development, growth and expansion of employment, business, industry and commerce throughout all regions of the state, but especially in those communities at the center of or outside of major metropolitan areas for which geography may act as an economic hindrance. . . . there are areas in the state that need particular attention of government to help attract private business investment into those areas and to help resident businesses to reinvest and grow and that many local governments wish to have tax incentives and other assistance available to stimulate sound business investments that support and improve the quality of life.”

Fouty-four enterprise zones were designated January 2001. All but five zones are in rural areas. The boundary of a zone may be noncontiguous, but it must encompass no more than 12 square miles and conform with restrictions on the distances within the zone. Each zone sunsets after 10 years, subject to possible reapplication and designation along with other applicants.

In exchange for locating or expanding in an enterprise zone, eligible (generally nonretail) business firms receive total exemption from the property taxes normally assessed on new plant and equipment for three to five years. Longer-term tax incentives may be offered in certain zones under a 1997 Law. (See next page for more on tax incentives)

An enterprise zone is sponsored by local city/county governments and typically serves as a focal point for local development efforts and incentives. Seventy-four cities in 31 counties currently use enterprise zones to create better economic opportunities.

Role of Oregon Economic and Community Development Department

The Economic and Community Development Department is responsible for the designation and termination of enterprise zones and for changes to zone boundaries. In cooperation with the Department of Revenue and other state agencies, the Economic and Community Development Department also provides administrative rules, information materials, training, technical assistance and marketing support to local governments and county assessors for implementing business tax incentives.

Local Application and Designation of Enterprise Zones

Cities and counties across Oregon apply for designation of an enterprise zone. The statutes specify the following two threshold criteria for economic hardship in the local area, in order for a proposed zone to be designated: either the household median income is 80 percent or less of state median income, or the unemployment rate is 2.0 percentage points or more above comparable state unemployment rate—based on the most recent annual figures from a given source of the data.*

*The Economic and Community Development Department has the discretion to define or consider alternative but equally severe threshold criteria, one of which is that a proposed enterprise zone is located

predominantly in a “distressed area,” which are areas that the department recognizes based on a sophisticated index of several local economic measurements pursuant to Senate Bill 932 (1997).

STATUTORY TAX INCENTIVES IN AN OREGON ENTERPRISE ZONE

Three-to-Five-Year Property Tax Exemption**

Through a short-term tax exemption, an Oregon enterprise zone induces eligible businesses of all sizes to make additional investments that will improve employment opportunities, spur economic growth and diversify business activity. New capital in a zone receives a total abatement for at least three and – in some cases – up to five consecutive years from the local assessment of *ad valorem* property taxes, which can otherwise have a deterring effect on private investors seeking to start or enlarge operations with a substantial capital outlay.

Prior to commencing construction/installations, eligible business firms submit an application to “precertify.” Such firms include manufacturers, processors, shippers and other operations that serve businesses, and some types of headquarters and call centers, as well as hotels, motels and resorts in 28 of the 44 zones where the local governments opted to allow such businesses in addition to industrial operations. Retail, construction, financial and certain other activities are explicitly ineligible. Qualified property includes new buildings, additions, equipment and machinery, but land, existing property and minor items of personal property may not qualify.

The requirements for the business firm to qualify for at least the three-year enterprise zone exemption are as follows:

- Increase full-time, permanent employment of the firm inside the enterprise zone by the greater of one new job or 10 percent
- No concurrent job losses more than 30 miles from the zone
- Maintain mandatory employment levels during exemption period
- Enter into first-source agreement with local job training providers
- Satisfy local additional conditions, potentially imposed in an *urban* enterprise zone.

The *extended abatement* of four or five consecutive years depends on:

- (1) “compensation” of new workers at 150 percent of county average wage,
- (2) a written agreement with the local zone sponsor, and
- (3) additional requirements that the local zone sponsor reasonably requests.

County assessors and local zone managers handle day-to-day business assistance and oversight of their enterprise zones, with state level support and coordination.

Long-Term Rural Enterprise Zone Tax Incentives (1997 through 2002)

In certain *nonurban* enterprise zones—*i.e.*, those inside a “county with chronically low income or chronic unemployment”—all property taxes on an entire qualified facility may be exempted for 7 to 15 years. With the Governor’s approval, corporate income tax credits can supplement this property tax relief. Special criteria restrict these incentives to very exceptional investments in terms of minimum investment cost and a minimum number of new hires, which depend on the facility’s location and the county’s size, in addition to requirements that are equivalent to the ones noted above for the extended abatement.

**Two Other Tangible Benefits for a Precertified Business Firm are: (1) local government incentives such as fee waivers, reduced charges or regulatory/procedural expediency that are commonly part of the enterprise zone package, and (2) the firm has the right to buy or lease real estate in the zone that is publicly owned and otherwise available.