

# ***Enterprise Zones***

Oregon's enterprise zones offer a unique resource to Oregon communities, and an excellent opportunity for businesses growing or relocating in Oregon. Enterprise zones exempt businesses from local property taxes on *new* plants and equipment for three to five years in a standard zone, and up to 15 years in a rural zone. Large property tax liability can otherwise have a deterring effect on private investors seeking to start or enlarge operations with a substantial initial capital investment.

Sponsored by local city/county/tribal/port governments, an enterprise zone typically serves as a focal point for local development efforts and incentives. There are currently 59 enterprise zones creating better opportunities for business investment across Oregon: 48 rural and 11 urban.

## **Standard Enterprise Zones**

Standard enterprise zones are designed to encourage business investment through property tax relief, in specific areas of the state. In exchange for locating or expanding into an enterprise zone, eligible (generally non-retail) businesses receive total exemption from the property taxes normally assessed on new plants and equipment for at least three years (but up to five years).

### **The Incentives**

The following are the incentives available to businesses locating in standard enterprise zones:

- While a facility is under construction, it is not subject to local property taxes
- Three to five consecutive years of full relief from property taxes on a new facility

### **Where these Tax Incentives Apply**

The standard enterprise zone incentives are available in established enterprise zones, of which there are more than 59 throughout the state, 48 of which are rural zones offering extended benefits.

### **Criteria for Qualifying Projects**

For the basic, three-year enterprise zone exemption, qualifying projects must:

- increase full-time, permanent employment of the firm inside the enterprise zone by the greater of one new job or 10 percent (or special-case local sponsor waivers);
- generally have no concurrent job losses outside the zone boundary;
- maintain minimum employment levels during the exemption period;
- enter into first-source agreements with local job training providers; and satisfy additional local conditions, potentially imposed under an *urban* zone policy.

**Criteria for extended tax abatement -- for a total of four or five years of exemption -  
- includes the criteria for the three-year enterprise zone exemption as well as the  
following:**

- Compensation of new workers must be at or above 150 percent of the county average wage.
- There must be local approval by written agreement with the local zone sponsor.
- The company must meet any additional requirements that the local zone sponsor may reasonably request.

### **Long-term Enterprise Zones**

Available in most rural enterprise zones, the long-term zone program extends property tax abatement to 15 years, rather than the standard three to five years provided under the standard enterprise zone. Any type of business activity is eligible, but these incentives depend on local approval and minimum levels for investment size, job creation and employee compensation. For further information on these incentives, the current eligibility of certain counties, and investment/employment minimums by zone, please contact a local zone manager.

### **The Incentives**

The following are the incentives available to businesses locating in long-term enterprise zones.

- While a facility is under construction, it is not subject to local property taxes.
- Seven to 15 consecutive years of full relief from property taxes on a new facility, once it is up and running.
- With the Governor's approval, corporate income tax credits can supplement this property tax relief. Special criteria restrict these incentives to rather 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. The credit is equal to 62.5 percent of gross payroll to be used against state corporate excise/income tax liability relating to the facility, over and above an annual minimum payment of state taxes, provided the corporation owns the facility and Governor's approval has been granted.  
*{Credits are received over a five- to 15-year period, and each credit may be carried forward for five succeeding years.}*

### **Where these Tax Incentives Apply**

The long-term enterprise zone incentives are available:

- in rural enterprise zones, of which there are more than 40 throughout the state; and
- inside counties with longstanding annual unemployment rates or per capita income levels meeting defined levels, based on latest statistics.

*Note:* The project must be in both an eligible county and rural enterprise zone when the local agreement is signed.


### **Criteria for Qualifying Projects**

Qualifying projects must meet the following three criteria:

- Total investment costs need to be greater than one percent (or .5 percent depending on the agreement) of a county's total real market value by the end of the year when operations begin. This base amount varies from about \$1 million up to \$25 million, depending on the location.
- Within three or five years of commencing operations, at least a certain minimum number of new, full-time employees are hired (10, 35, 50 or 75 jobs, again, depending on location) and maintained during the tax abatement period. *(A minimum of 10 new employees also suffices in most relevant zones, if the investment exceeds \$200 million.)*
- Average annual compensation across all workers at the facility must stay at or above 150 percent of the county average annual wage, as first met and established within five years of starting operations.

### **The Process**

The following outlines the steps that businesses must take to qualify for enterprise zone benefits:

**Step 1:** Prior to beginning construction, a business must submit a [certification application](#)  to the local enterprise zone manager and county assessor.

**Step 2:** The business and all local government sponsors of the enterprise zone enter into a written agreement.


**Step 3:** This local agreement determines the exemption period (seven to 15 years) and may specify additional requirements to be met by the business/facility.

**Step 4:** The county board of commissioners (and the city council, if within city limits) adopts a resolution sanctioning the property tax exemption.

The following are the steps to apply for additional income tax credit:

**Step 1:** Contact the zone manager.

**Step 2:** The Governor of Oregon issues a one-time approval for the income tax credit and sets the length of time to receive credits.

**Step 3:** Pursuant to the Governor's approval, the approved business can begin claiming credit (for five to 15 consecutive years), at the latest, by the tax year that starts in the third calendar year after the year when the facility is placed in service, using a [Department of Revenue form](#). 

**Special Notes**

Sunset provisions for long-term Rural Enterprise Zone tax incentives do not affect any incentives certified and approved before the program's expiration.

Other tax incentives are not affected if the Governor does not grant the tax credit. If, in fact, it is granted, then 30 percent of corporate taxes collected by the state with respect to the facility are rebated to local taxing governments/districts.

**Electronic Commerce Zones**

Several of Oregon's 50-some enterprise zones have received special status to further encourage electronic commerce, or "e-commerce," investments.

The most significant feature of these zones is that a qualifying business may receive a credit against the business's annual state income or corporate excise tax liability. The credit equals 25 percent of that tax year's investment cost in capital assets for operations related to electronic commerce and located in the designated area.

This state tax credit is in addition to the three- to five-year standard enterprise zone exemption from local property taxes inside the zone.