



## Gain Share's Demise is Due

### Gain Share was a 2007 legislative mistake.

The idea behind Gain Share is that counties suffer when they give huge property tax breaks to businesses through the Strategic Investment Program (SIP), so the state should *share* with counties half of the income taxes received from employees working on those business properties. The cost to the General Fund was \$62 million this biennium, of which 99.2% went to Washington County. If not ended this session, Gain Share is projected to cost an additional \$94.9 million in the coming biennium and \$158.5 million before the current law sunsets.<sup>1</sup> These funds would otherwise be part of the General Fund.

**The legislature must act this session to cancel Gain Share. HB 2070 does just that.**

**This giveaway is not fair to the rest of the state.**

**Other cities and counties have many employees working in buildings on which NO property taxes are paid, and yet they receive NO rebated income taxes via Gain Share. For example:**

- Eugene has 60,000 college students and professors
- Salem has 21,000 state employees
- Douglas County has more than 1200 employees working in enterprise zones<sup>2</sup>

Washington County has 18,000 Intel and Genentech employees, working in properties that DO pay property taxes. Though property taxes are reduced by SIP agreements, the two businesses paid \$41.3 million in local property taxes and fees last year.<sup>3</sup> Yet, Hillsboro and Washington County received a Gain Share payment of \$37.8 million from the General Fund in 2014.

**Gain Share serves no logical function, is unfair to the rest of the state, and should be discontinued. A simple majority vote this session could save \$158 million between now and Gain Share's sunset 1.1.2019. Enough to pay for seven days of school statewide!**

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<sup>1</sup> The Legislative Revenue Office projects Gain Share will return to counties a total of \$94.9 m in 2015-17, and \$63.6 in 2017-19. The cost drops in 2017-19 because Gain Share sunsets on 1.1.2019. Email 1.22.2015 from Paul Warner LRO.

<sup>2</sup> Local enterprise zones exempt businesses from 100% of taxes for 3-5 years. Coos, Deschutes, and Linn counties each have 500 – 1200 employees working at tax exempt properties in enterprise zones.

<sup>3</sup> Property tax and SIP fee data for 2013-14 from the Washington County Assessor.

## Cost to the General Fund and Distribution of Funds

The General Fund impact of Gain Share<sup>4</sup> actual and estimated:

\$62.3 million actual for 2013-15

\$94.9 million for the 2015-17 estimated for the biennium and

\$63.6 million for 2017-19.

The 2017-19 estimate drops because of the 1-1-19 sunset for the program.<sup>5</sup>

**Distribution:** Payments are transferred to the Shared Services Fund each year, and then distributed to counties based on the estimated personal taxes of the employees at each SIP site. The most recent distributions were:

Totals by County <sup>6</sup>	
County	Amount Due to County
Clatsop	\$ 111,000
Gilliam	\$ 51,000
Morrow	\$ 19,000
Gilliam & Morrow	\$ 9,000
Sherman	\$ 74,000
Umatilla	\$ 18,000
Union	\$ 24,000
Washington County	\$ 37,805,000
<b>Total</b>	<b>\$ 38,111,000</b>

### ***We read the bills and follow the money***

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<sup>4</sup> In law, Gain Share is called the Shared Services Fund. The law was enacted in 2007, long after most SIP agreements were signed. The law returns 50% of the income taxes of both retained and new employees to local taxing districts. Any money going to schools goes outside the state's school funding formula. Some think only new jobs should be considered; last year, new jobs account for 27% of the impact.

<sup>5</sup> Update numbers for 2015-17 & 2017-19 increased the cost between now and the sunset by \$26.5 million. Emails received on 10.3.2014 and 1.22.2015 from Paul Warner of LRO to Jody Wiser.

<sup>6</sup> Calculated by the Department of Administrative Services for presentation to the E-Board April 30, 2014. Payments are calculated for property tax year 2012 with employment data from 2013. Numbers rounded by TFO.