HB 4078 Weakens a tax break worth \$37,000 - \$928,000 to a rural business owner[1]

Testimony for House Revenue – Jody Wiser – 2.5.2018

In 2016 the Legislature passed legislation (1565) extending to local elected officials the option of allowing an enterprise zone-like property tax exemption, pretty much anywhere in rural Oregon. That bill calls for "qualified investments of between \$1 million and \$25 million of improvements classified as industrial under the rules established by the DOR pursuant to ORS 308.215 and associated personal property." Brownfield cleanup is not included.

Most of the changes in HB 4078 are designed to increase clarity about the original legislation. But one portion of the bill expands the eligible investment to include brownfield cleanup in meeting the \$1 million investment minimum.

In doing so is violates the principal of polluter pays. Either the property was contaminated by the current owner or purchased from the polluter. Any prudent buyer gets the cost of needed remediation covered in the purchase price, so that polluters pay. We should hold to that policy, and leave brownfield cleanup to our other state efforts designed specifically to address brownfields. The state's brownfield loan fund still has \$4 million available, and you've passed separate provisions for brownfields/property taxes and land trusts that have yet to be used. It is our understanding that the inclusion of brownfield cleanup costs in this bill was not at the request of the Brownfield Coalition.

Therefore, we propose an amendment HB 4078 eliminating lines 15-17 on page one:

> *(B) "Eligible property" includes property constructed on installed at a brownfield, as defined in ORS 285A.185 that is being cleaned up. The cost of initial investment with respect to the property may include the costs of the remaining cleanup.*

This program requires a minimum of \$1,000,000 in industrial investment. Adding brownfield cleanup weakens that requirement.

---

[1] Improvements to property must have cost \$1 to \$25 million. Taxes generally levied on 75% of RMV, average tax rate of \$16.50/thousand. 1,000 x .75 x \$16.50 = \$12,375 / year x 3 years = \$37,125. \$37,125 x 25 = \$928,000 for a \$25 m investment. These numbers would be significantly higher if the tax break is for five rather than three years, as is allowed in the law.