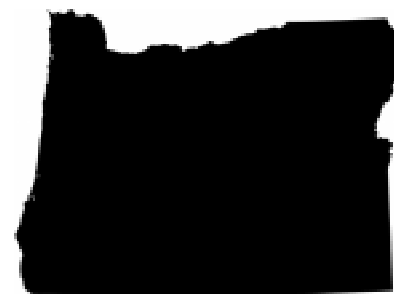


Enterprise Zones



in Oregon



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"Enterthezones" Web Page

<http://www.econ.state.or.us/enterthezones/>

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*For short-term exemption on new property.

Also See: Department of Revenue, Enterprise Zone Forms
<http://www.dor.state.or.us/ptd-forms.html>

Disclaimer

In preparing this booklet, the Oregon Economic and Community Development Department made every appropriate effort to present accurate and straightforward information, in complete accordance with current Oregon Revised Statutes (ORS) and Oregon Administrative Rules (OAR). Users of this document are advised that legal requirements and provisions are subject to change, and that they might consider seeking confirmation of any crucial fact presented herein.

Urban and nonurban

Oregon enterprise zones are categorized depending on whether they are located inside the regional urban growth boundary within a federal metropolitan statistical area. These categories do not usually affect business firms, except for the possibility of special additional conditions in an urban zone.

Reservation enterprise zones are nonurban zones designated by a tribal government in an Indian reservation that meets certain economic qualifications.

Zone termination

Either upon request of the local zone sponsor or for other reasons, an enterprise zone is permanently terminated. Otherwise, a zone terminates on June 30 less than eleven years after designation. The sponsor of a zone that “sunssets” in this way may reapply for designation. Ongoing exemptions are unaffected by termination of the enterprise zone.

For the short-term (three- to five-year) exemption, an approved authorization may remain valid for purposes of qualifying through the end of third full year following the effective date termination.

Moreover, such an authorized or qualified business firm may be authorized for additional investments for up to ten years after the date of termination—and receive an exemption—provided that construction commences before such a “grand-fathered” firm’s final exemption has concluded.

Rural Renewable Energy Development Zones (RREDZ)

This is a special designation of an entire city, county or contiguous counties. A RREDZ operates generally like an enterprise zone for purposes of the *short-term exemption*—but only on facilities related to the generation of electricity from a renewable energy resource, such as wind power.

Introduction

Cities and counties across Oregon have joined together, forming enterprise zones to foster employment opportunities, development and local competitiveness. Located in economically lagging areas, these zones offer tax relief for new private capital.

Since 1986, enterprise zones have benefited hundreds of investments, creating tens of thousands of new jobs, as well as the retention of existing employees and work for associated Oregon companies. Most businesses that utilize the tax abatement already exist in the zone, but many are new. They come in all sizes and represent diverse industries, services and stages of production.

For further assistance, please see:

- (1) Local and statewide contacts (pages 3 and 4)
- (2) [Application or filing forms](#), and
- (3) Oregon Revised Statutes (ORS) and Oregon Administrative Rules ([Chapter 123, Div. 65](#) and [Chapter 150, Div. 285](#)),

... All of which, and more, can be found on line—<http://www.econ.state.or.us/enterthezones/>

Summary of benefits

Eligible business firms that invest, qualify and operate in an Oregon enterprise zone receive several kinds of advantages.

Short-term exemption on taxable property

- **Standard**—100 percent (total) exemption from the property taxes normally assessed on significant new plant and equipment. Exemption lasts for *three* years after the property has been placed in service.
- **Extended Abatement**—As explained below, the standard exemption can be lengthened to four or five consecutive years in total by the local government(s).
- **Work-in-Progress**—Before qualified property is placed in service, and the standard exemption can begin, property is exempt for up to two years, while construction, installations, and so forth are ongoing (as of January 1).
- **Local Incentives**—Many local sponsoring governments offer special benefits to enterprise zone businesses, such as fee waivers, credits or reductions, regulatory flexibility/priority or enhanced public services.
- **Publicly Owned Real Estate**—Enterprise zone firms have the right to lease or purchase land or buildings in the zone, owned by a state agency or municipality, and otherwise available, if promptly developed for the “authorized” use.

Long-term rural tax incentives

In most *nonurban* enterprise zones—inside counties with chronically high unemployment or low income—an entire qualifying facility is relieved of property taxes during construction and then for 7 to 15 years, subject to local agreement with the zone sponsor. Distinct from the short-term program (described above), this exemption is not as commonly used, and this booklet does not have as much detail. *See—page 17.*

Business income tax credits

Although oriented mostly around exemptions on new taxable property, enterprise zone investments also earn credits against business or corporate excise/income taxes levied by the state of Oregon in certain cases:

- **E-Commerce**—In four specially designated enterprise zones ([see map](#)) and the community of North Plains, a business qualifying for the short-term exemption and engaged in “electronic commerce” receives an income tax credit of up to 25 percent (or \$2 million) of its annual *E-commerce* investment, with five years of deferral for each credit.
- **Long-term Rural**—Credits may be claimed against state corporate excise taxes relating to a facility that is receiving the 7– to 15–year exemption (noted above). Generated over 5 to 15 years, these credits for the corporate owner of the facility must be approved by the Governor.
- **Pollution Control**—This oft-used tax credit is computed at its higher rate, 35 percent of certified costs, if satisfying any one of several criteria, *including location in an enterprise zone.* (Project needs to be completed before 2008 under current law.) To learn more, go to the [Oregon Department of Environmental Quality web site.](#)
- **Tribal Taxes**—In a “reservation enterprise zone,” most new business operations qualify for a credit equal to the annual taxes imposed by the tribal government.

Local business climate

A focus of public and private efforts to grow businesses and foster productivity, an enterprise zone generally entails tangible and intangible advantages for firms locating or expanding there.

Other relevant tax incentives in Oregon

- **Strategic Investment Program (“SIP”)** serves exceptionally large capital investments by offering a 15–year partial property tax exemption on assessed value in excess of a cap starting at \$25 million, or \$100 million inside larger urban areas. Approval involves local government action. This program may not be combined with an enterprise zone.

Zone sponsor

The sponsor of the enterprise zone consists of the city/county governments that applied for the zone’s designation, or that were brought in through boundary amendments. In general, the sponsor must comprise all jurisdictions in which there lies some area of the zone. *See—web site for special illustrations.*

Some zones have a single “sponsor,” but any variety of multiple cosponsors is possible; two cities plus the county is common. Sponsors have a number of duties and opportunities, but all such sponsoring governments must act jointly in conducting zone business (possibly through an “association” of local representatives).

Zone designation

Since 1993, the director of Oregon Economic and Community Development has designated enterprise zones. Designation of a proposed zone hinges on a minimum level of local economic hardship, as well as local government resolutions, a map of the proposed zone boundary, and so forth. A surplus of applicants for available enterprise zones triggers competitive selection based on economic need, likelihood of success and other criteria. A designation round occurs (in anticipation of) whenever zones will automatically terminate or “sunset” (see below).

Zone area

Enterprise zones in Oregon come in many shapes and typically encompass all of the local land that an eligible business firm might use—if not the entire city. Only in metropolitan areas is a zone likely to be limited to just a section of town.

Twelve square miles is the maximum size. For most zones, the maximally permissible distance between any two points is 25 lineal miles, and no more than 15 lineal miles between separate areas. For an urban zone (or nonurban zone in a densely populated county), 12 miles and 5 miles are the respective maximum distances. *See—web site for special illustrations.*

The director of Oregon Economic and Community Development approves changes to zone boundaries pursuant to requests by the local zone sponsor. This has become increasingly common. (Special [boundary change guidebook](#) is available.)

Property tax exemption is strictly unavailable for any property already assessed by the county—or, already under construction, modification or installation—before the enterprise zone’s designation takes effect. The same applies to the effective date for newly amending the property’s location into an existing enterprise zone.

- 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.
 - {Minimum of 10 new hires also suffices in most relevant zones, if the investment exceeds \$200 million.}
- Average annual compensation across all workers at the facility stays at or above 150 percent of county average annual wage, as first met and established within five years of starting operations.

Procedural/local steps

- Prior to commencing construction, a business firm must submit a [certification application](#) to the local enterprise zone manager and county assessor.
- The business firm and all local government sponsors of the enterprise zone enter into a written agreement.
- This local agreement determines the exemption period (7 to 15 years) and may specify additional requirements to be met by the business firm/facility.
- The county board of commissioners (and the city council if within city limits) adopts a resolution sanctioning the property tax exemption.
- The Governor of Oregon issues a one-time approval for the [income tax credit](#) and sets length of time to receive credits.

Special notes

- Sunset provisions for the 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 it is granted, though, then 30 percent of corporate taxes collected by the state with respect to the facility are rebated to local taxing districts and potentially to the zone sponsor.

Background on existence of zones

Oregon has 49 enterprise zones. Statutory authority allows no more than this to exist at one time, except for enterprise zones corresponding to a future federal designation in Oregon, or for a “reservation enterprise zone” as anticipated for Warm Springs.

The 1985 Legislative Act creating the program provided for 30 zones—each to last ten years. Oregon’s Governor designated these from 1986 to 1989. Seven additional “nonurban” zones were authorized in 1993, and ten more in 1999. Beginning in 2004, enterprise zones start terminating in groups by operation of law (“sunset”), again.

- **Cancellation of Assessment on Commercial Facilities under Construction** exempts structures being built or expanded, for up to two years, if not in use or occupancy on January 1. It is commonly called “C-i-P”—construction-in-process, which is also the unofficial caption in state law for the *enterprise zone ‘work-in-progress’ exemption*. The C-i-P program, though, is available anywhere in Oregon. Centrally assessed (utility) property is ineligible for either exemption. *See—[application](#), which is filed on or before April 1 with the county assessor.*
- **Business Development Taxable Income Exemption** allows a company to subtract on its Oregon tax return the income arising from a new business operation during the first ten years. Eligibility depends on location in one of several counties, local government acceptance, and minimal hiring requirements. Application for preliminary and annual certification is made to the [Economic and Community Development Department](#).
- **Also**, other exemptions and tax credits—based on certain expenses (e.g., dependent care for employees, [energy/fuel](#) savings, research, telecommunication facilities or new diesel truck engines)—can reduce state or local business taxes. *See—[information circular](#), Tax Credits for Corporations, and other [Department of Revenue resources](#).*

Local contacts

Described below are the local sources of help in using an enterprise zone and being approved for certain benefits. Specific information on reaching these people can be found at [web site](#).

Local zone managers

Appointed by the [sponsor of the enterprise zone](#), the local zone manager is a business firm’s principal resource in seeking to invest in the zone. The zone manager assists with issues of the zone boundary, basic business eligibility, connecting with the Contact Agency, employment requirements and special sponsor approvals, as well as efforts to promote the enterprise zone.

County assessors

Usually elected, the assessor oversees property valuation for the imposition of annual *ad valorem* taxes, often serving as the county’s tax collector, too. For the short-term exemption, the assessor’s office performs critical duties, such as co-authorizing business firms (based on application submitted before project commences), specific property criteria and disqualification.

Contact agencies—First-source agreements

Local publicly funded job-training providers and local Oregon Employment Department offices have formed networks across the state. For the short-term exemption (and other economic development programs) a business must enter into a First-source Hiring Agreement with the “Contact Agency” that represents the regional network before hiring new employees. The agreement carries a mutually beneficial obligation to notify the Contact Agency of job openings and to consider referrals.

State contacts

Below is information to obtain assistance from state agency staff involved with enterprise zones.

Oregon Economic and Community Development Department

The primary contact for general assistance is the [Regional Development Officer](#) for the area where the project is located. They are part of the agency’s Business Development Division, and can be reached through the numbers on the back cover of this publication, or by phoning 503-986-0198 (Salem), 503-229-5221 (Portland) or fax 503-581-5115. Alternatively, contact [Arthur Fish](#), state Enterprise Zone Coordinator, at 503-986-0140.

Oregon Department of Revenue

(503-378-4988 or 1-800-356-4222—in Oregon only)

Program representation is with the [Property Tax Division](#), Revenue Building, Room 256, 955 Center Street NE, PO Box 14380, Salem OR 97309-5075; fax 503-945-8737.

Oregon Tax Court

Judicial appeals regarding enterprise zone tax matters would go to the [Oregon Tax Court](#), consisting of Magistrates and Regular Division, over which presides the state Tax Court Judge.

Timing, process and forms (short-term exemption)

The forms and steps for an enterprise zone exemption relate to legal provisions and normal procedures for property assessment, which is done on the calendar year; whereas, the “tax year,” when property is technically exempt, runs from July 1 to June 30.

Long-term tax incentives

In 1997, the Oregon Legislature created a separate tax abatement program available in most (but not all) enterprise zones. Legislatures since have made this program more useable and extended it through 2006.

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.

The following only summarizes this program. For further information on these incentives, the current eligibility of certain counties, and investment/employment thresholds by zone, please contact the local zone manager or Oregon Economic and Community Development, or visit the department’s [web site](#).

Tax incentives

- Until the new facility is placed in service, it is not subject to the imposition of local property taxes.
- Seven to fifteen consecutive years of full relief from property taxes on the new facility, once placed in service.
- Credit 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—with the Governor’s approval.

{Credits are received over a 5- to 15-year period, and each credit may be carried forward for five succeeding years.}

Where these tax incentives apply

- In a “nonurban” enterprise zone—one of more than 40 Oregon designations.
- Inside a county 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** nonurban enterprise zone when local agreement is signed.

Three criteria for qualifying project

- Total investment costs need to be greater than 0.5 percent or 1 percent of county’s total assessed value by end of the year when operations begin. This floor amount varies from about \$1 million up to \$25 million, depending on the location.

Disqualification (short-term exemption)

A qualified business firm loses its short-term enterprise zone exemption (but not the work-in-progress abatement) if not adhering to requirements during the period of exemption.

Causes and implications

- General disqualification of all property and all years essentially relates to a firm ceasing operations, closing or “substantially curtailing” its [employment](#).
- Locally established requirements may have the same effect.
- Requirements pertaining only to an [extended abatement](#) do not affect the standard (first) three years of exemption.
- Disqualification is limited only to the affected property in the case of property-specific noncompliance, such as ineligible usage or removal of exempt property from the enterprise zone.

Penalties and provisions

- No true penalty is normally assessed—in that back taxes on exempt property are simply imposed with the next tax roll, without even any interest.
- Such treatment, however, depends on the business firm (or property owner/lessor) having timely *notified* the county assessor and zone sponsor by **July 1** after the year in which noncompliance occurred.
- Failure to give such timely notice is penalized by surcharging 20 percent on top of the back taxes that are due.
- Only one year’s tax savings may be forfeited—and “disqualification” avoided—for a **one-time** instance of substantial curtailment (or not satisfying a locally set additional requirement):
 - These special provisions also depend on timely notice (by July 1) as described above.
 - Payment equal to that year’s tax savings is made directly to the zone sponsor to be used for the good of the zone.
 - If noncompliance continues into another year, or there is another such failure, then the business firm is disqualified, but back taxes are reduced by amount of prior payment.
- The exemption may continue on property sold or leased to another firm, if used for eligible activities without a net adverse impact on employment in the enterprise zone.

Notice to businesses:

- **Application for Authorization** is filled out and submitted to the local zone manager **BEFORE** beginning any project work at the investment site.

{In this way, correct knowledge of the enterprise zone can have influenced the decision to invest. The zone sponsor may impose an authorization fee up to \$200 or 1/10th of 1 percent (0.001) of the investment cost. To keep an unused authorization “active,” a renewal statement is submitted by April 1 after every two years.}
- **First-Source Hiring Agreement** is entered into prior to new hiring and must cover the entire exemption period.
- **Work-in-Progress** refers to qualified property at the enterprise zone site on January 1 that is not yet placed in service. County assessor must receive a [filing](#) by April 1.

{The **form for the generally available C-i-P program** (page 3) is simply used here, too. This enterprise zone-based exemption likewise lasts for not more than two years, but it fully comprises an authorized business’s qualified property. Hotels/resorts and centrally assessed (utility) property, however, may not use it.}
- **Exemption Claim with Property Schedule** is filed with the county assessor and copied to the zone manager on or after January 1 but on or before April 1 of first year of exemption.

{This first year of the exemption directly follows the year when qualified property is placed in service—in use or occupancy or otherwise ready for intended commercial operations. The greater of \$200, or 1/10th of 1 percent (0.001) of real market value is charged for filings after April 1 but on or before June 1, or if the authorization is “inactive.” Filing as late as April 1 of the next year is allowed by forgoing exemption in the first year.}
- **Exemption Claim** also is filed with the county assessor and copied to the zone manager on or after January 1 and on or before April 1 following each year of exemption.

{Short form for annual compliance. Property schedule attached for new, additional qualified property pursuant to authorization.}

Representative Time Line

[Eligible Enterprise Zone Business Firm: construction spanning New Year, followed by standard exemption]	
Project/site work may commence	Authorization Application—local zone manager Preauthorization Consultation [Extended abatement addressed] Manager & assessor approve—firm authorized • Construction underway
—January 1st— April 1 New Hiring Begins	Partially completed project—property not in use C-i-P form for work-in-progress—county assessor —DEADLINE First-source Agreement—contact agency • Equipment installed • Hiring/training in full swing • Project completed/property in service
—January 1st— April 1 July 1	First year of standard exemption* ✓Enough new full-time jobs created ✓Claim Form w/Property Schedule[†]—both zone manager & county assessor —DEADLINE Corresponding (first) tax year of exemption begins—Property must actually be in use/occupancy by this point, too
—January 1st— April 1 July 1	Second year of standard exemption* Claim Form—manager & assessor —DEADLINE Corresponding tax year begins
—January 1st— April 1 July 1	Third year of standard exemption* Claim Form—manager & assessor —DEADLINE Corresponding tax year begins
—January 1st— April 1 July 1	Conclusion of standard period of exemption (Final) Claim Form—manager & assessor —DEADLINE Tax year: Assessed value of qualified property now included with other assessed property

*Employment (annual average) and other requirements must be maintained based on each of these calendar/assessment years.

†Repeatable in subsequent year for additional property not yet placed in service, on January 1, but completed during first or second year of initial exemption. Such property then begins its own (three-year) period of exemption.

First-source agreement (short-term exemption)

As noted already, **all** authorized business firms are required to execute a First-source Hiring Agreement with the Contact Agency for local publicly funded job training providers.

Entering into first-source agreement

- Responsibility lies with the local zone manager to inform the Contact Agency of a newly authorized business firm and to direct firms to the Contact Agency.
- Execution of this agreement should occur immediately following authorization and *before* filling new jobs.
- By April 1 of the first year of exemption, the zone sponsor (or Contact Agency) shall inform the county assessor if an authorized business has not signed a first-source agreement.

First-source obligations

- Statutorily, there must be a first-source agreement that extends throughout the exemption period.
- The terms of the agreement do **not** stipulate that anyone in particular is hired.
- Rather, the firm notifies contact agency of job openings.
- The firm shall then consider referrals from the local publicly funded training providers.

{The director of Economic and Community Development is allowed to waive this requirement, if it will serve no purpose for the business firm, and at times, has excused failure to timely execute the first-source agreement before hiring, if it is nevertheless done before the firm is granted the exemption.}

Special urban conditions

Something that might interact with the first-source agreement, but that needs to be addressed during authorization, is the imposition of additional local conditions, as allowed to the sponsor of an **urban** enterprise zone.

These conditions relate to employment and must be established by standards and policy previously adopted by the sponsor. If applicable, the manager of an urban zone will document the policy and what an eligible business firm must commit to do, in order to be authorized.

Extended tax abatement (short-term exemption)

To extend a short-term enterprise zone exemption to four or five consecutive years in total, there are two key elements, neither of which jeopardizes qualification for the first three years.

Compensation

- During each of the four or five years, average annual compensation for new employees must be at least 150 percent of the county average annual wage.
 - {Not applicable for Portland metro area urban zones.}
- Among counties with relevant enterprise zones, the mean 2002 average annual wage was \$26,557.
- Although a significant requirement, this annual compensation standard can be quite feasible to satisfy, because:
 - Wage level is set at authorization and will not vary.
 - “Compensation” includes not only wages and salary, but also overtime, bonuses, insurance, pensions and other financial benefits not mandated by law.
 - Average is across all normally covered “employees,” for which the job/position is created after authorization but before July 1 of the second year of exemption.

Written agreement/local requirements

- An eligible business firm seeking an extended abatement must execute a written agreement with the [zone sponsor](#).
- This agreement must be finalized *before* the business firm is approved for *authorization*.
- This written agreement needs to confirm the above compensation requirement, and whether the extension is for one or two extra years.
- It may specify other reasonable requirements (jointly) requested by the sponsor.
- Such requirements could have broad reach and special consequences, but as with all such local requirements, they are *additional* to statutory compensation or employment levels, and they may neither lower nor raise the stringency of such levels, nor explicitly compel residency-based hiring.
- Requisite formal approval of written agreement by/for each city or county cosponsor may be accomplished through any number of suitable means depending on the city/county.

Change of plans and subsequent projects

- Project/property information entered on an authorization application is not strictly binding and may encompass very large, complex or extended projects.
- Descriptions and estimates should be amended as plans change, which is mandatory to include equipment in general or any major structure, if not already indicated in the application for authorization.
- Additional authorizations are allowed and required to qualify for exemptions on property:
 - At different sites in the enterprise zone
 - Beyond two/three years of continuous investment
 - Invested starting after completion of indicated project(s)

Building project but no eligible business firm?

A special law allows development of real estate to proceed (e.g., on speculation) without jeopardizing enterprise zone benefits. The eligible business that first leases or buys all or part of the building or structure may be authorized during or after new re/construction, additions or modifications. The executed lease or purchase document is then attached to the authorization application before approval, which must occur prior to use or occupancy. Naturally, the enterprise zone work-in-progress exemption will not work, but the [regular C-i-P program](#) might cover some of these situations.

Property that is exemptible (short-term exemption)

In Oregon, all non-inventory business property is assessed for taxation. Total local levy will generally not exceed 1.5 percent of assessed value. Three sets of issues determine what business property is “qualified” in the enterprise zone:

Fundamental factors

- Located inside the enterprise zone boundary
- Constructed, added to, modified or installed in the furtherance of the production of income
- Owned or leased by the authorized business firm
- Installed/located on property that the firm likewise owns or leases
- Contained in the property schedule of an exemption claim filed directly after the year when property is first placed in service
- Actually in use or occupancy before July 1 of first year of exemption, and not idle for more than 180 days at a time thereafter

Property needs to be new

- Not used/occupied *inside zone* more than one year before the first year (starting January 1) of exemption.
- Only the increase in assessed value attributable to additions or modifications is exempt in the case of real property already existing in the zone.
- Any machinery or equipment must be either newly acquired by firm, or (if already so owned/leased) newly transferred into the enterprise zone from outside of county.

{Exception is an existing piece of “real property” machinery or equipment that has been idle for 18 months, and is refurbished, retrofitted, upgraded, etc., at a cost of at least \$50,000.}

Particular characteristics of property

- Investment **cost** must be \$50,000 or more, in total, for qualified “real property,” which includes all of the following:
 - Newly constructed buildings or structures
 - New additions or modifications to existing building/structure
 - Heavy/affixed machinery and equipment
- For machinery or equipment that is “personal property”—i.e., readily movable and not affixed to real property—each individual item must **cost**:
 - \$50,000 or more, or
 - \$1,000 or more if used for electronic commerce in an *E-commerce* zone or *exclusively* for tangible production
- Land, non-inventory supplies, rolling stock, vehicles and motor-propelled devices do *not* qualify.

For any leased property—

The owner/lessor also co-signs the property schedule or otherwise formally acknowledges exemption.

The lease needs to be a net lease, such that property taxes are passed through to the qualified business firm/lessee.

The lease must be executed before the respective tax exemption claim is filed, and a copy may be required with filing.

Business eligibility (business type—short-term exemption)

Enterprise zone policy focuses on “for-profit” business operations that do not compete significantly within the local economy, and that therefore will bring new income to the community. The crucial function of authorization is to ascertain such eligibility up front.

Local waiver of employment requirements

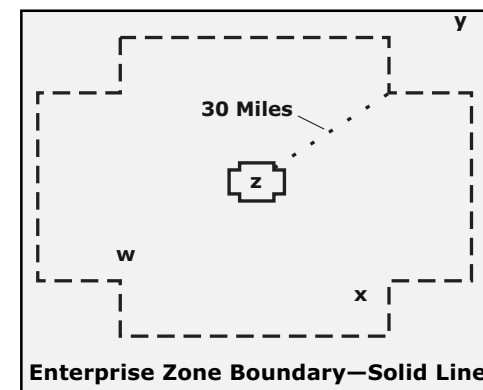
The city/county jurisdiction(s) that sponsor the enterprise zone may waive the required increase of existing in-zone employment by adopting resolution(s), establishing an alternative minimum employment level and possibly setting other conditions. This is allowed for two sets of circumstances:

- If total investment costs are \$25 million or more, the eligible business firm’s employment in the zone may even be permitted to decrease—(or)
- If all of the following are met:
 - Productivity at the facility increases by 10 percent, according to measures described in the resolution
 - Firm dedicates an amount equal to 25 percent of its property tax savings to workforce training
 - No net drop in the firm’s enterprise zone employment

Relocating into the zone

Though rarely an issue, the statutes restrict qualification in one of two ways, as explained using the diagram below, for the case where in-state jobs relocate into an enterprise zone.

- **Beyond 30 miles**—If operations at site Y permanently close or curtail, and local jobs are reduced relative to the general workforce where site Y is located, then a firm (or commonly controlled firm) transferring operations from site Y to site Z does not qualify.
- **Within 30 miles**—If an authorized business firm moves operations from site X to site Z, then by April 1 and during the first year of exemption, the number of employees within the zone *plus* those at site X needs to equal or exceed 110 percent of the authorized annual average employment in the zone *and* at site X. (If employees also are transferred into the zone from site W, they too are added to both sums.)



- **Headquarters**—administrative, design, engineering, research or other centralized facility serving company operations over a statewide or larger region
{Zone manager formally attests to facility’s local significance but non-local scope, and it must conform to authorized description.}

Employment to qualify (short-term exemption)

Oregon’s enterprise zones are intended to create new jobs, for which there are two basic requirements that an authorized business firm must satisfy to receive the standard exemption on property.

{Work-in-progress exemption is unaffected, unless the inability to hire enough people is evident during construction period.}

Jobs that are covered

- Full-time employees—more than 32 hours per week—*not* “FTE” (full-time equivalent)
- Permanent/year-round jobs—not employed temporarily, seasonally or solely to construct or install property
- Working mostly (anywhere) inside enterprise zone
- Engaged primarily in [eligible operations/activities](#)
- Do not need to be on the firm’s actual payroll—i.e., such workers might be contracted for or leased by firm

1st—Increase with first year of initial exemption

- Firm must increase its employment within the enterprise zone by the *greater of one person or ten percent (10%)*.
- This increase is compared to the annual average employment over the 12 months before authorization.
- Must be met after authorization but *not later than April 1*.

2nd—Maintain increased employment level

- For each assessment (calendar) year of the exemption period, firm’s annual average employment must be 110 percent or greater, compared to pre-existing, authorized annual average.
- As reported during the first quarter of each year of exemption—and after the last year of exemption—total firm employment may not fall by 85 percent (or by 50 percent with two successive claim forms) relative to the highest, previous level.
- Failure on either of the above two requirements constitutes **“substantial curtailment.”**

Eligible business operations

Eligible business firms provide goods, products or services to other business operations or organizations. This includes not only conventional manufacturing and industrial activities, but also processing plants, distribution centers, maintenance facilities, warehouses and even operations that handle bulk clerical tasks or after-sale technical support.

Regardless of being performed for other businesses, the following and similar activities are *ineligible*: health care, entertainment, finance, professional services, childcare, housing, property management, construction and any retailing of goods or services.

Eligible activities apart from ineligible ones

A business firm engaged in ineligible activities (e.g., retail store) may nevertheless be eligible, if the eligible activities in which the firm will invest are *separate* from any ineligible activity (even if under the same roof).

Property and employees of eligible activities

Employees are counted only if they are engaged 50 percent or more of their time in eligible operations inside the enterprise zone, or if they are predominantly concerned with direct administration or support for such operations. Also, only property used solely in conjunction with eligible activities may qualify.

Affiliated business enterprises

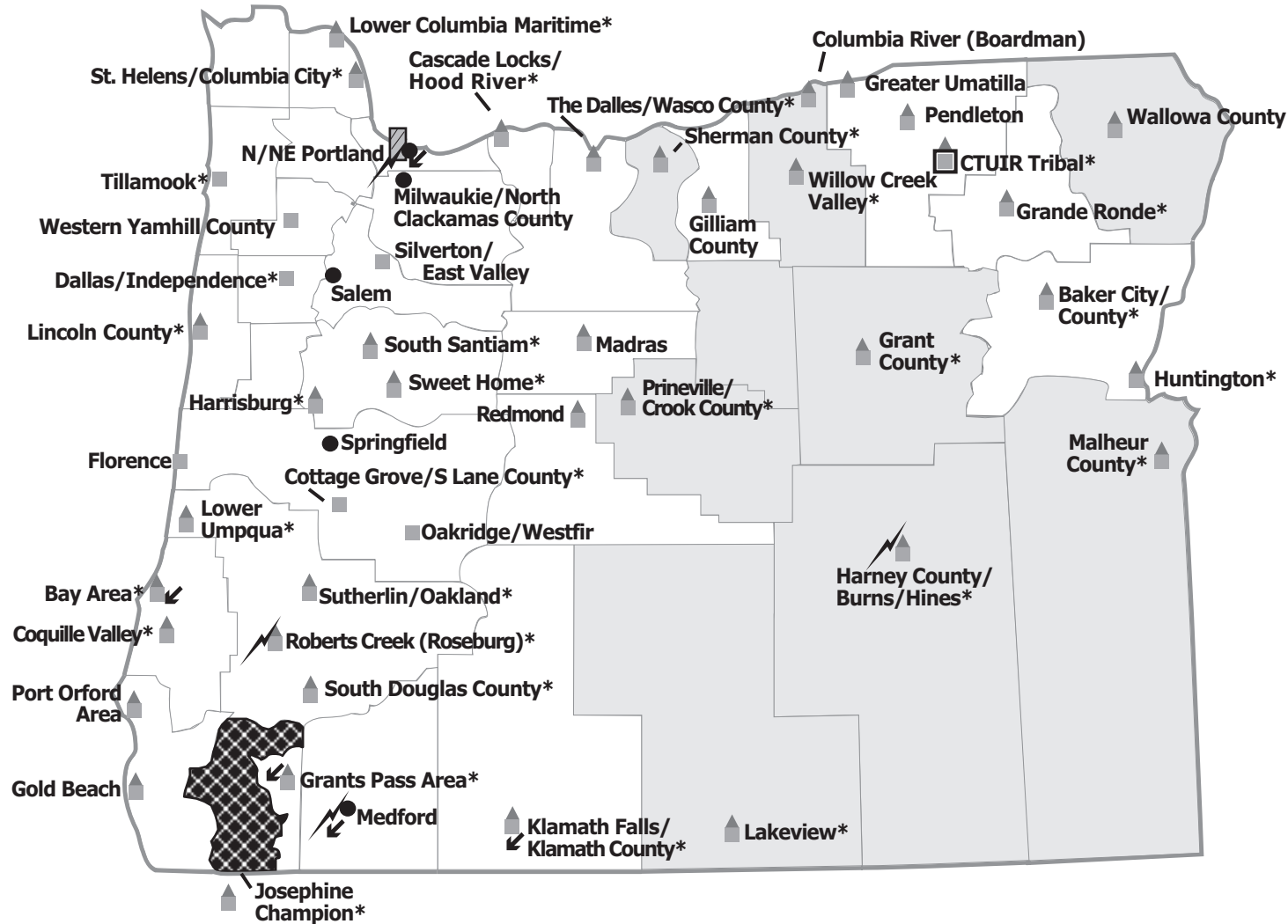
Likewise, employees and qualified property of other corporations with common ownership are normally ignored. Corporations that share entirely the same ownership, however, may *choose* to be treated as one eligible business firm.

Outright exceptions for ineligibility

- **Hotel, motel and destination resorts** are allowed in some zones, including the associated property of ancillary operations, if used 50 percent or more by overnight guests.
{See map (*) for where the enterprise zone sponsor has taken this option; only the regular C-i-P program might be used.}
- **Electronic commerce** operations, in which transactions are undertaken via the internet in an *E-commerce* zone.
{Entails a special income tax credit, too}
- **Retail/financial call centers** that receive orders and requests through telecommunication (including computers/internet).
{Customer base in local calling area must be less than 10%.}

Oregon Enterprise Zones

September 2003



State Enterprise Zones

- Nonurban
- Urban
- ▨ Reservation
- ⚡ Electronic Commerce Designation: Special Tax Credit
- ▲ Zone Eligible for Long-term Rural Tax Incentives (subject to change)
- * Hotels/Resorts Eligible for Regular Exemption

- Business Development Taxable Income Exemption available, too
- ▨ Federal Enterprise Community, also designated as Oregon Enterprise Zone
- ▨ Federal Enterprise Community
- ⚡ Contains site(s) of federal foreign-trade zone