

TAX EXEMPTIONS & CREDITS

BUSINESSES ARE DREAMING, GROWING AND THRIVING IN OREGON, WHICH OFFERS AN ARRAY OF INCENTIVES TO MEET THE ASPIRATIONS OF ALMOST ANY BUSINESS

OREGON INVESTMENT ADVANTAGE (BUSINESS FACILITY INCOME TAX EXEMPTION)

This program helps businesses start or locate in Oregon:

- Companies setting up new operations in _____ County, at any industrial zoned site or anywhere inside an urban growth boundary (of city with less than 15,000 population) can receive a 10-year waiver on the business income or corporate excise taxes related to those operations.
- Qualification requires the creation of at least five new "full-time, year-round" jobs.
- The operations at the facility need to be the first of their kind in Oregon for that company, and to not compete within the local economy.

STANDARD ENTERPRISE ZONE EXEMPTIONS

This program offers immediate, upfront cash savings on new investments in the _____ *Enterprise*

Zone [*Rural Renewable Energy Development Zone*]

- Manufacturing, processing, storage, distribution, call centers and corporate headquarters are all eligible.
- New buildings, additions and equipment installed at the plant receive 100 percent property tax abatement if employment rises by greater of 1 job or 10 percent.
- Exemption is for a minimum of 3 years after property is constructed/installed.
- If new, full-time employee compensation in the zone is at least 150 percent of the county average wage (\$ _____), the exemption can be extended up to 5 consecutive years in total by local agreement.

CONSTRUCTION-IN-PROGRESS

- Commercial, non-utility facilities are exempt from property taxes while under construction and not in use on January 1 of the assessment year for up to 2 years.
- Exemption is generally valid for any manufacturing project, including any machinery or equipment located in the unoccupied facility on January 1.
- Also applies to all qualified property being constructed or installed as part of any authorized enterprise zone project.

FOOD PROCESSOR EXEMPTION

Designed to kick-start re-investment, modernization and new projects in one of the state's leading industries:

- New machinery and equipment are exempt from property taxes for five years if used in primary food processing, anywhere in the state.
- Limited to processors of raw or fresh fruits, vegetables, legumes, nuts or seafood, and a separate program for eggs.

RURAL STRATEGIC INVESTMENT PROGRAM (SIP)

This is an invaluable tool for moderating property taxation of exceptional large investments in capital anywhere in Oregon:

- Exempts from property taxes all of the investment in excess of \$25 million in rural areas—for 15 years.
- Company pays a community service fee equal to 25 percent of the abated taxes, up to a yearly maximum of \$500,000
- Exemption is available subject to project-specific agreement or in pre-established local requirements/approval in a designated Strategic Investment Zone.

LONG-TERM RURAL ENTERPRISE ZONE INCENTIVES

Major business investors and communities are turning to this alternative program for very special projects:

- Program provides full relief from all local property taxes on new property at the facility in almost all rural enterprise zones with local approval.
- The property tax exemption on the facility lasts from the start of construction until 7 to 15 years after the new property is first placed in service.
- Minimum investment costs need to equal or exceed \$ _____ million, and at least _____ new, full-time employees must be hired within three years of commencing operations and maintained during the 15-year abatement period.
- Annual employee compensation at the facility needs to stay at or above 150 percent of county average wage (*currently, \$ _____*), as achieved by the fifth year of operations.
- In addition, the Governor may approve tax credits equal to 62.5 percent of gross payroll to be claimed over 5–15 years against state corporate tax liabilities relating to the facility, over and above a minimum annual tax payment equal \$ _____ per full-time hire up to \$1 million. Unused credits may be carried forward up to five additional years.

E-COMMERCE ENTERPRISE ZONES

Up to 10 enterprise zones provide enhanced benefits for electronic commerce operations in the following ways:

- Personal property equipment and machinery used for e-commerce more readily qualifies for standard enterprise zone exemption, too!
- Qualifying businesses in these zones also receive a tax credit against the firm's annual state income or corporate excise tax liability, up to \$2 million per year.
- Credit equals 25 percent of each year's capitalized investment in assets used in the zone for electronic commerce operations.
- Unused credits may be carried forward up to five additional years.

INCOME/CORPORATE EXCISE TAX CREDITS

Oregon has a number of statewide credits in addition to a couple noted above under certain enterprise zone circumstances. The following are a select few of these credits, which can offset business income and corporate excise taxes:

Biofuel Raw Materials Credit

- Credit based on dollar-per-quantity rates that vary according to the type of biomass as used in Oregon to produce liquid, gaseous or solid biofuels.
- Biomass means renewable or recurring organic matter, such as waste streams, residues or dedicated crops, excluding wheat grain (until 2009) and corn grain (always).
- Claimed by either biomass collector or agricultural producer, but transferable (**salable**) another taxpayer.
- Unused credits may be carried forward up to four additional years.

Visit http://www.oregon.gov/ENERGY/RENEW/Biomass/TaxCdt_2210.shtml for more information.

Business Energy Facilities Tax Credit (BETC):

- 35 percent of eligible project costs per year, as pre-certified up to \$10 million per project, for investments in energy conservation, energy-efficient equipment, sustainable buildings, transit, telecommuting support, recycling, research, development & demonstration and other facility types.
- 50 percent of eligible project costs per year for pre-certified:
 - Costs up to \$20 million for high-efficiency combined heat and power or for production of energy or fuels from renewable resources, or
 - Costs up to \$40 million for the manufacture of equipment and so forth exclusively for renewable energy production or utilization.
- Transferable (**salable**) to a third party (pass-through option) at 25.5 percent of project cost, or 33.5 percent relative to 50% credit rate.
- Taxpayer claims credits over five years, with each having a carry-forward period of eight more years for unused amounts.

Visit <http://www.oregon.gov/ENERGY/cons> for more information.

Dependent Care Tax Credit:

- 50 percent of each year's costs to help employees in terms of:
 - Direct assistance, up to \$2,500 per employee, and
 - Information and referral services.
- Generated based on expenses for childcare and so forth of a certified company program (including on-site operations) otherwise eligible for individual federal tax abatement on an employee's contribution.
- Claimed in lieu of a business deduction for same expenses.
- Unused credits may be carried forward up to five additional years.

Visit <http://www.oregon.gov/EMPLOY/CCD> for more information.

Research Tax Credits:

- Five percent of the excess for the taxable year in Oregon-based research expenses over base amount consistent with federal research & development tax credits.
- Annual maximum credit is \$2 million per corporate taxpayer.
- Unused credits may be carried forward up to five additional years.

See Oregon Department of Revenue publication 150-102-649-9 at <http://www.oregon.gov/DOR/BUS/docs/102-694-9.pdf> for synopses of various other more specialized credits

And, always please contact your tax advisor or state agencies for further information about the benefits described here.

GENERAL TAX STRUCTURE

OREGON IS CONSISTENTLY RANKED AS HAVING AMONG THE LOWEST BUSINESS TAX COSTS IN THE COUNTRY. WE OFFER BUSINESSES THE PERFECT PLACE FOR GROWING SUCCESS

Oregon's public finance structure relies principally on annual income taxes and

PROPERTY TAX

- Used to support local taxing districts, including cities, counties and schools local property tax levies.
- Except for voter-approved bond issuances, property taxes are constitutionally limited to no more 1.5 percent of real market value.
- Also, the increase in valuation of property for tax purposes is limited to 3 percent per year.
- Average tax per \$1,000 of taxable value was \$15.20 as of June 2007.

TAX EXPENSES THAT OREGON BUSINESSES DO NOT HAVE TO PAY:

- General sales tax
- Use tax on equipment and other purchases
- Receipts/revenue tax (like Washington B&O tax)
- Inventory tax
- Worldwide unitary tax
- Motor vehicle excise tax
- State capital tax on asset value
- Direct levies on intangible properties, such as stocks, bonds or securities.

The absence of the above taxes translates into substantial cost savings for construction and business operations, compared to many other states and foreign locations.

PERSONAL INCOME TAX AND CORPORATE EXCISE/INCOME TAX

- Most state operating revenue is derived from personal income tax.
 - Maximum personal income tax rate is 9 percent on single returns with taxable income greater than \$7,300 or joint returns greater than \$14,600 (2008). Capital Gains are taxed at the same rate as other personal income.
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- A 6.6-percent tax is applied against the net corporate income of firms doing business in the state.
 - To apportion income here, for corporations with multi-state operations, Oregon relies 100 percent on sales—*i.e.*, **single-sales factor** with throwback rule, in adherence to the Uniform Division of Income Tax Purposes Act (UDITPA). Consequently, additional company assets and payroll in Oregon do not increase tax exposure.

ADDITIONAL TAX INFORMATION CAN BE FOUND AT THE OREGON DEPARTMENT OF REVENUE
<http://www.oregon.gov/DOR> web site.

INSURANCE FOR EMPLOYEES

OREGON HAS ONE OF THE LOWEST WORKERS' COMPENSATION RATES IN THE NATION. IT IS LESS THAN HALF OF CALIFORNIA'S. OUR RATES HAVE DROPPED NEARLY 60 PERCENT SINCE 1990, RESULTING IN EMPLOYER SAVINGS OF OVER \$11 BILLION—UNHEARD OF ELSEWHERE.

WORKERS' COMPENSATION INSURANCE

With a focus on business, safety and efficiency, Oregon has created an insurance system that is a benefit to employers and generally has lower premiums than our than most states including our immediate neighbors:

- Required for all workers. You may buy coverage from your choice of an insurance company qualified to write workers' compensation insurance.
- Alternatively, the State Accident Insurance Fund (SAIF) Corporation, a public non-profit organization, offers coverage, and qualifying large employers may receive certification as a self-insured employer.
- For many businesses with good-to-excellent experience will have substantially lower payroll costs than the \$2/\$100 index level below, depending on industrial classification and insurance carrier.

UNEMPLOYMENT INSURANCE

In good times and down times, Oregon consistently has one of the most stable unemployment funds of all states, minimizing payroll costs over the long haul:

- Unemployment Insurance (UI) monies fund an insurance program for covered workers who become unemployed through no fault of their own.
- New employers are assigned a "base rate" until they have had sufficient experience to qualify for an "experience rate-based" tax rate—after 21 to 33 months.
- In 2008, the rate is calculated on employee's first \$30,200 of wages and ranges from 0.7 to 5.4 percent for experienced employers, with an average rate of less than 1.7 percent, and a new employer rate of 2.1 percent.

Oregon Tax Incentives for Business

Oregon's General Public Finance System:

- ✓ State personal income tax
- ✓ State corporate excise/income tax (multi-state apportionment based only on 'sales'; 6.6% rate)
- ✓ Local property taxes (real & personal property)
- ✓ Competitive unemployment & worker's disability insurance rates
- ✓ Others: fuel and other excise taxes, local fees
- ✓ State Lottery

Oregon Has NO Taxes on businesses for general sales & use, revenue or gross receipts, occupancy, capital, inventory.

Exemptions on New Taxable Property:

- ❖ **Strategic Investment Program ('SIP')** —
 - Cap on taxable value of project
 - Fifteen years
 - Through local agreement or 'SI' Zone designation
 - Smaller taxable portion in rural areas
- ❖ **Construction-in-Process** — anywhere, most types of business facilities up to 2 years
- ❖ **Others** —
 - Certain food-processor machinery and equipment, on-site alternative energy use

- ❖ **Enterprise Zones** —
 - Standard 3 to 5-year abatement, preceded by work-in-progress exemption, 50-some designations
 - Long-term, 7–15 years, plus construction, almost all rural zones
 - Rural renewable energy development zones

Business/Corporate Income or Excise Tax Deductions & Credits:

- ❖ **Oregon Investment Advantage** —
 - Subtraction/exemption of taxable income on state tax return
 - Ten years
 - New in-state business operations
 - Available in 21 counties
- ❖ **Tax Credits for Cost of ...**
 - Renewable Energy or Energy Efficiency Projects (BETC)
 - Research Activities in Oregon
 - Dependent Care Assistance
- ❖ **Other Credits of Note** — Biomass production/collection, new/retrofit diesel engines, long-term care, scholarships and certain (possibly deductible) donations

- ❖ **Enterprise Zone Tax Credits*** —
 - E-commerce Zone*
 - Tribal Taxes in reservation zone
 - Long-term, 62.5% of payroll, Governor-approved