

BUSINESS INCENTIVES:

The Reason Businesses Locate to Eastern Oregon!



THE CATTLE INDUSTRY



WILDLIFE & NATURAL RESOURCES



MANUFACTURING & COMMERCIAL

*Welcome to the wide open spaces and
the friendly business environment of...*

HARNEY COUNTY, OREGON



*Harney County
Economic Development*

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TAX EXEMPTIONS & CREDITS

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

BUSINESS DEVELOPMENT INCOME TAX EXEMPTION

This new and innovative program helps businesses start or locate in Oregon:

- Companies setting up new operations in Harney County, at industrial zoned site or anywhere inside an urban growth boundary, are eligible for a 10-year waiver on the income/excise taxes related to those operations.
- Qualification requires the creation of at least 5 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.
- This exemption of taxable income can be combined with an Enterprise Zone exemption on taxable property where available, and a business firm that qualifies for both will enjoy essentially a tax-free environment for some years.

STANDARD ENTERPRISE ZONE EXEMPTIONS

This program offers immediate, upfront cash savings on new investments in the *Harney County/Burns/Hines Enterprise*:

- 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 at the facility is 150 percent of the county average wage, the exemption can be extended up to 5 years with local approval.

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 are not more than \$2.3 million. Likewise, a minimum of 10 new, full-time employees must be hired within three to five 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, 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 to \$10,000 per new employee up to \$1 million. Unused credits may be carried forward up to five additional years.

E-COMMERCE ENTERPRISE ZONES (Like the Harney County/Burns/Hines Enterprise Zone)

Oregon State Legislature recently increased the number of enterprise zones that offer multiple incentives for e-commerce operations in the following ways:

- Qualifying businesses in certain zones 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 e-commerce operations.
- Unused credits may be carried forward up to five additional years.
- Personal property equipment and machinery used for e-commerce more readily qualifies for standard enterprise zone exemption, too!

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 with subject either to project-specific agreement or in pre-established local requirements/approval in a designated Strategic Investment Zone.

CONSTRUCTION-IN-PROGRESS

For SIP, enterprise zones and manufacturers in general this tax abatement has contributed to a favorable tax climate for nearly 50 years:

- 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 applicable to all property being constructed or installed as part of any authorized enterprise zone project.

FOOD PROCESSOR EXEMPTION

New program 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.

INCOME/CORPORATE EXCISE TAX CREDITS

Oregon has a number of other statewide credits that can be used to offset business income and corporate excise taxes, but the following four tax credits deliver substantial cost savings for a number of situations for new business development:

Dependent Care Tax Credit:

- Lesser of 50 percent of each year's direct assistance costs or \$2,500 per employee, plus 50 percent of expenses for information and referral services.
- Expenses on any certified company program eligible for the IRS employee deduction may be used to generate these credits in lieu of a business deduction.
- Unused credits may be carried forward up to five additional years.

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

Business Energy Tax Credit (BETC):

- 35 percent of eligible project costs for energy-saving equipment including sustainable buildings, transit-use support, company vanpool vehicles, telecommuting equipment, alternative energy/fuels, research & development and many other types of investments, with total eligible costs per project of \$10 million.
- Transferable to a third party (pass-through option) at 25.5 percent of project cost.
- Credits are otherwise claimed over five years (10–10–5–5–5%), with each annual claim having a carry-forward period of eight more years for unused amounts.

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

Pollution Control Tax Credits:

- 35 percent of certified cost pollution control technologies or facilities that exceed regulatory requirements, or that meet any of a number of alternative criteria, including special certifications, projects costs of no more than \$200,000 or location inside a designated distressed area or enterprise zone.
- Credit claims are spread evenly over the useful life of the project, up to 10 years, with each annual claim having a carry-forward period of three more years for unused amounts.
- There is no limit on the amount of eligible investment costs, but the project must be completed and certified by December 31, 2007.

Visit Tax Credit Programs at <http://www.deq.state.or.us/> for more information.

Research Tax Credits:

- Five percent of the increase in qualified research expenditures over a base amount for the taxable year, consistent with federal research and development tax credit criteria.
- Annual maximum credit is \$2 million per corporate taxpayer.
- Unused credits may be carried forward up to five additional years.

(See <http://www.oregon.gov/DOR/BUS/docs/102-694-9.pdf>)

Please contact your tax advisor or state agencies for further information about the benefits described here.

GENERAL TAX STRUCTURE

OREGON WAS RECENTLY RANKED SEVENTH IN THE COUNTRY FOR HAVING THE LOWEST BUSINESS TAX COSTS. WE OFFER BUSINESSES THE PERFECT PLACE FOR GROWING PROFITS.

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 \$15.56 as of June 2005.

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 \$6,650 or joint returns greater than \$13,300 (2005). Capital Gains are taxed at the same rate as other personal income.
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- A 6.6 percent corporate "excise" tax is applied against the net Oregon income of corporations doing business in the state.
 - In apportioning net income to Oregon for corporations operating in more than one other state as a unitary business, Oregon adheres to the Uniform Division of Income Tax Purposes Act (UDITPA).
 - The apportionment formula is based 100 percent on sales—*single-sales factor* with throwback rule, so that additional company assets and payroll in Oregon do not increase tax exposure. This is tremendously advantageous to new/expanding manufacturers or that like that export to other states/markets of operation.

ADDITIONAL TAX INFORMATION CAN BE FOUND AT THE OREGON DEPARTMENT OF REVENUE
[HTTP://WWW.OREGON.GOV/DOR](http://www.oregon.gov/dor) WEB SITE.

INSURANCE FOR EMPLOYEES

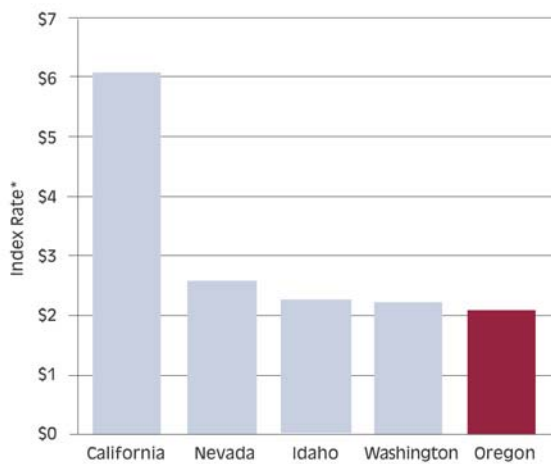
OREGON HAS ONE OF THE LOWEST WORKERS' COMPENSATION RATES IN THE NATION. IT IS LESS THAN HALF OF CALIFORNIA'S. OUR RATES HAVE DROPPED NEARLY 60 PERCENT SINCE 1990, RESULTING IN EMPLOYER SAVINGS OF OVER \$11 BILLION—UNHEARD OF ELSEWHERE.

WORKERS' COMPENSATION INSURANCE

With a focus on business, safety and efficiency, Oregon has created an insurance system that is a benefit to employers:

- Required for all workers. Requirement can be met by buying 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, can offer coverage.
- Large employers who qualify may be certified 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.

Workers' compensation insurance premium costs per \$100 of payroll among Oregon's neighbors



*Cost per \$100 of payroll.

Source: Oregon Department of Consumer and Business Services, December 2004

Since the Oregon Workers' Compensation system was reformed in 1990, employers have saved an estimated \$11.5 billion in premium costs. Over that same period premium rates have fallen 57.4%, without any annual increase. How was it done? In summary, the following changes have moved Oregon from having the sixth highest rates in the U.S. to the eighth lowest rates.

Safety—Oregon creates incentives for employers to create a safer workplace. This has resulted in a lower claim frequency and lower claim severity overall. While safe workplaces result in lower policy costs, stiff penalties for companies violating work safety standards help keep rates low for everyone.

Mediation—Institution of a mediation system has reduced conflict and lowered the costs of claim settlement.

Qualification—Reduced the ability for marginal claims while significantly increasing benefits for those workers whose injuries can be shown to be at least 50 percent work caused.

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.
- The rate is calculated on employee's first \$28,000 of wages (2006), ranging from 1.2 to (federal maximum of) 5.4 percent for experienced employers (2006).
- Legislation adopted in 2005 (House Bill 2127) will deliver sustainable reductions in this common payroll cost, for both new and experienced employers starting in 2007, when the average rate will be less than 2 percent, and the new employer rate, 2.4 percent.