



HB 2351: Transparency for economic development property tax breaks

Economic Development, Small Business and Trade – Jody Wiser – 2.24.2025

My name is Jody Wiser and I am representing Tax Fairness Oregon, a network of volunteers who advocate a rational and equitable tax code.

HB 2351 would improve the data available to legislators, the public and the press relative to the property tax exemptions the legislature has made available to local communities in support of new and expanded business growth. We support this legislation, along with the -1 amendment. The bill provides significant needed improvements, particularly to the reporting required for the 15-year rural enterprise zones exemptions, but also for the SIP.

However, we have two recommendations for amendments:

- 1) In addition to taxes, also require all fees paid be included in the annual reports to the Department of Revenue, Business Oregon and shown on the Transparency Website for all three programs.** The agreements for the Rural and SIP programs include significant payments to the local communities in “community service fees” and other fees. For the SIP the minimum community service fee is 25% of abated taxes, capped at \$2.5 million a year. But local communities may and often do negotiate additional fees, in some cases in the millions annually. The 2023 Amazon Rural Enterprise Zone deal with Morrow County includes \$5 million in community fees due when construction starts.

Sometimes a portion of the fee can be called a “donation” but if no donation is made, the fee payment is required. So reporting of fees and any other required payments should be required for all three programs, as it is required with the SIP (see page 14 lines line 28 and 29).

- 2) Make reporting of job numbers, benefits, and total investment by businesses consistent across all programs.**

All jobs reported should be full time equivalents based on 2080 hours of pay. This is required in the ORS for the SIP program, (see page 14, lines 31-34) but not of the other programs. The zone sponsors should collect and provide the jobs information for all three programs.

Wages and benefits should be reported separately. It is unclear in the language of the bill whether wage and benefits information are to be reported in aggregate or shown separately, since the language of the bill is “the average annual wage and compensation.” Clearly a wage of any amount is better if it comes with great benefits, but knowing what wages are paid is basic. Further, the bill should describe which benefits are to be reported so that, for instance unemployment and social security expenses are either consistently included or consistently excluded under benefits.

Without consistent reporting across all three programs of the wage and separately the benefit data, the information is useless in evaluating the quality of the jobs being subsidized with our property tax exemptions.

Cumulative reporting of investments in projects for all programs. SIP businesses are required to report all investment in the property of an eligible project, cumulatively (see page 14 lines 40 and 41). This information should likewise be required of the 3-5 year and rural zones, both of which included a significant number of data center businesses making frequent replacement investments in equipment.

This is a good bill. Continue to work on improving it with our suggested amendments.

May I have another 2 minutes? I want to take this opportunity before to point out that the tax incentive most states have created for data centers is a partial or full exemption from sales taxes. Some states, but not most, also offer partial property tax exemptions. Because we have no sales tax, we offer full on both. We are subsidizing data center jobs at over \$300,000 per job each year for either five or fifteen years. Whether they are rural or urban jobs, that is an outrageous amount of subsidy, particularly given the other societal costs that come with data centers.

Given:

- The unresolved issue of data centers paying for their own transmission and substation infrastructure rather than all ratepayers continuing that subsidy for data centers, and
- The stress the data center appetite is putting on both electricity production and transmission, and
- The fact that both Amazon and OpenAI are looking at Oregon for additional major data center expansion (Amazon with a billion dollar of subsidy just negotiated with Morrow County in 2023 is now buying 300 hundred acres in Gilliam County and OpenAI has a request out for proposals in Oregon)

We believe that our current 5-year, rural 15-year and SIP property tax exemptions for these businesses are inappropriate. No sales tax is enough.

This bill is not the vehicle to deal with that issue. However, we believe this committee would be wise to end Oregon's property tax incentives for certain businesses, specifically both traditional and AI data centers and crypto-currency businesses. Our 5-year enterprise zone is being used extensively in Hillsboro. The 15-year Rural enterprise zones are being used extensively in Morrow, Umatilla and Crook counties. And the SIP program is being considered in Arlington for Amazon. Under the SIP you would give up not only the state's K-12 share of property taxes but also 50% of the personal income taxes of the new employees. OpenAI is considering Oregon as well.

Oregon is known throughout the country for our unusually lucrative tax subsidies that couple with low energy and land costs and ample water. It's time to reign in these subsidies – at least temporarily – while you plan and put in place what you want as a state from these businesses.

We read the bills and follow the money