



SB 1524 -1: Gain Share is a boon for Washington County a bit for seven other counties and a bane to the rest of the state

Testimony for Senate Finance and Revenue – Jody Wiser – 2.7.2022

First, it is important to remember: property taxes are how local jurisdictions support themselves. Income taxes are how the state is supported. Gain Share forgets that, it takes funds that should be providing state services across the state and gives it to select local communities for local services. Further, Gain Share proponents will argue that they are providing infrastructure that is needed for these businesses to choose Oregon. But they don't do that alone. For example, the state has spent millions widening and adding interchanges to Sunset Highway/Highway 26 to service the factories and employees at Intel and Genentech, where SIP agreements exist in Washington County.

Second, Gain Share is not the reason Intel established itself and continues to grow in Hillsboro; the SIP tax break is. Without it, the maximum tax exemption in an urban county was five years. In 1993 the Legislature established the 15-year SIP exemption. Gain Share's dollars didn't start pouring into Washington County until 10 years ago.

There are currently 18 SIP exemption agreements in eight counties, with Washington County providing exemptions for 80% of the SIP exempt property and receiving \$16M per year of Gain Share while the other seven, all rural counties, get \$700,000 collectively. This \$33.4M per biennium is General Fund money that can't be spent in services to citizens across the state.

Third, why should counties with one kind of 15-year exemption get income tax money from the state when counties with another kind of 15-year exemption do not?

Gain Share is tied to property tax exemptions under the [Strategic Investment Program \(SIP\)](#). Many communities have similar [Long Term Rural Enterprise Zone \(LTRE\)](#) exemptions for expensive industrial properties that also reach 15 years long. Local communities get no Gain Share if a business has negotiated a LTRE Zone exemption. They do get Gain Share if the business has negotiated for a SIP exemption. Currently there are both SIP agreements and LTRE exemption facilities across the landscape of Oregon.

Fourth, when Gain Share was established, the argument was that the local jurisdictions are giving up all of "their" property taxes and the state is giving up nothing, and therefore we owe them Gain Share. However, the same logic that says the state is getting an extra benefit in terms of higher income taxes from the additional higher-than-average income employees says that the county is getting additional property taxes from those same employees. The up-scale housing developments built for Intel engineers certainly generate additional property taxes for Washington County, but that is never mentioned by the proponents of Gain Share.

Our fifth and final point is this: since the General Fund makes education funding equivalent across all parts of the state, K-12 funding exempted locally under SIP agreements affects K-12 funding across the state, most recently to the tune of \$109 million a year.

The three examples at the end of my written testimony challenge the arguments for Gain Share with data.

Not only do local jurisdictions negotiate SIP tax abatements that affect K-12 funding statewide, they also negotiate Community Service Fees to be paid by the SIP businesses to offset some of the local losses in property tax revenue. **Taking these community service fees into account, when we compare the losses to K-12 education across the state to the losses to local jurisdictions, K-12 education is giving up the most.**

We can see no logical reason to continue the Gain Share program. Certainly, it should not get shoed in for another six years when this is not even the year in which this Gain Share program is due for a sunset review. The Gain Share program is good until July 15, 2024. We'd like the decision about whether to extend or modify Gain Share to get the consideration it deserves in a long session. We hope that when you pass SB 1524 you will not include the -1 amendment.

If anything, now is time for suspension, not extension of Gain Share.

By the numbers:

The facts below challenge the argument that the local jurisdictions are giving up all “their” property taxes and the state is giving up nothing, and therefore we owe them Gain Share.

Since the General Fund makes education funding equivalent across all parts of the state, K-12 funding exempted locally effects K-12 funding across the state. Statewide, K-12 funding is 41.34% of property tax receipts. In total the SIP agreements reduced K-12 funding by \$109M in the 2019-2020 property tax year.

Intel Corporation in Washington County (2019-2020 property tax year)

\$ 4,165,000 paid in property taxes*

\$211,727,000 exempt from paying under two SIP agreements

Of that exempt amount:

\$ 89,537,000 was K-12 funding (41.34% of property taxes are K-12 funds)

\$124,190,000 was local jurisdiction property taxes

\$124,190,000 while local jurisdictions didn't receive this in property taxes, they did receive fees

-\$59,121,000 fees paid local jurisdictions

\$ 65,069,000 losses to local jurisdictions

Comparing the two:

\$ 89,537,000 losses to K-12 funding

\$ 65,069,000 losses to local jurisdictions

Under the SIP agreements with Intel, the state has forgone \$25M more in property tax funding for K-12 than local jurisdictions have forgone.

Did the local jurisdictions lose much from SIP? How many services do they need to provide to buildings filled with super expensive equipment and skilled employees? Do the \$4 million in property taxes and \$59 million in Community Service Fees pay for the public services provided to the Intel facilities?

Let's turn to other SIP/Gain Share agreements. Data centers, wind farms and other energy facilities also likely require no more local spending than other facilities with fewer pieces of expensive equipment.

The most recent SIP agreement in Umatilla County shows the local jurisdictions are receiving more in fees than they gave up in property taxes. Umatilla County appears to have the best negotiators; they make money on SIP agreements.

Amazon's Vadata Data Center in Umatilla County

\$ 365,000 paid in property taxes*

\$ 4,787,000 exempt from paying under Oregon's newest SIP agreement

Of that exempt amount:

\$ 1,979,000 was K-12 funding (41.34% of property taxes are K-12 funds)

\$ 2,808,000 was local jurisdiction property taxes

\$ 2,808,000 while local jurisdictions didn't receive this in property taxes, they did receive fees

\$ 4,500,000 fees paid local jurisdictions

\$ 1,692,000 extra income - local jurisdictions got more with the SIP than they would get without it!

Comparing the two:

\$ 1,979,000 losses to K-12 funding

\$ 1,692,000 extra income to local jurisdictions, and if they share some of this to local K-12, it would be outside the school funding formula

Shepherds Flats in Morrow County, one of several wind farms in various counties

\$ 317,000 paid in property taxes*

\$ 7,290,000 exempt from paying under the SIP agreement

Of that exempt amount:

\$ 3,014,000 was K-12 funding (41.34% of property taxes are K-12 funds)

\$ 4,276,000 was local jurisdiction property taxes

\$ 4,276,000 while local jurisdictions didn't receive this in property taxes, they did receive fees

-\$1,686,000 fees paid local jurisdictions. Any given to local K-12 is outside the school funding formula

\$ 2,590,000 losses to local jurisdictions

Comparing the two:

\$ 3,014,000 losses to K-12 funding

\$ 2,590,000 losses to local jurisdictions

We would be happy to provide additional examples if legislators would like.

*We used figures on page 39 of DOR's [20-21 Oregon Property Tax Statistics](#) to derive the 41.34%. We divided school taxes collected (\$3,117,420,222) by total taxes collected (\$7,540,157,634) = .4134

The tax number used in this document come from [Oregon Business Development Commission Prosperity for All Oregonians](#). Page 46 reports on SIP for the 2019-2020 property tax year.