

2023 Legislative Session

Talking Points: Enterprise Zone Program Sunset Extension

- The Enterprise Zone Program has a record of success since it was enacted in 1985 as a “special aid to attract commerce, industry, and jobs.” The enterprise zone program has a demonstrated ability to create jobs, expand wealth, and enhance long-term property tax revenue.
- This highly successful program encourages businesses to grow or locate in Oregon by temporarily exempting eligible investments in new or expanded facilities and equipment from local property taxes.
- Enterprise Zones are local programs with local support sponsored by a city, county, tribe, or port and serve as a focal point for local economic development professionals seeking to attract new investments in their communities. Oregon’s 76 enterprise zones touch 35 counties, 143 cities, 15 ports and lands of 2 tribes.
- Property tax exemptions and other tax abatements are among Oregon's best tools for expanding investment in our local communities, particularly in economically distressed areas. Cities, counties, ports, and tribes can offer local tax abatements to encourage new or expanding businesses to invest and create jobs for their communities.
- These local incentives are especially critical in competing for investments as Oregon does not offer grant or income tax incentives to the level often seen in other states. This leaves a marked gap in our ability to stay competitive in sought-after industries such as semiconductor, microchip, clean energy, and other high-tech manufacturing.
- Extending the E-Zone program now will also allow potential CHIPS Act applicants to include the potential; for using the program in applications, which demonstrates Oregon’s support of increasing the state’s competitiveness in the semiconductor space.
- A 2021 study commissioned by Oregon Business and Industry and the Oregon Business Council noted that about one-third of the manufacturing workforce in Oregon is BIPOC, 28 percent are women, and 70 percent have less than a bachelor’s degree. As Enterprise Zones are weighted heavily toward the manufacturing sector, this data reflects the program’s impact on promoting shared prosperity among Oregon’s manufacturing workforces. This report also detailed that full-time median earnings are 17 percent higher on average in manufacturing when compared to other industries.
- Enterprise Zones incur strong statewide standard with local flexibility, with rigorous sideboards that the legislature has crafted over time but still allows for local input. (*see [Business Oregon website for a comprehensive description](#)*) To step that out;

- The 3- to 5-year standard program has restrictions on what types of businesses may apply and what property may qualify, requirements around job creation and first source hiring, and tax benefit clawbacks for companies who fail to meet the standards as promised. For companies seeking an exemption beyond the initial three years there are additional wage and total compensation requirements.
- The 7- to 15-year Long-Term Rural Enterprise Zone Program is only allowed in counties with a demonstrated history of chronic economic challenges. This program requires case-by-case approval by local agencies and has complex requirements on minimum investment cost, job creation, wages and total compensation, and clawbacks for companies that fail to meet the terms of the agreement.
- Exemptions beyond three years typically involve additional local requirements imposed. These can be requirements for additional monetary payments or be policy-driven around public benefit or climate goals, equity policies, workforce development, or wage commitments.
- As recently as 2022, a study commissioned by Business Oregon measured the ROI from 287 companies who have recently participated in the program by looking at their total output through direct jobs at participating firms, indirect jobs from suppliers, and induced jobs from employee household spending in the community. This study found that the economic benefit was a remarkable 29 times the investment (exempt tax value) for the standard 3- to 5-year EZ program.
 - During their time in this program, these participating companies have been responsible for the creation of over \$8.5 billion in total economic activity and 46,253 new jobs, generating over \$2.5 billion in labor income and \$685 million in personal income taxes. *(Figures do not include one-time effects from construction jobs or business tax receipts)*