

Form OR-EZ-AUTH Instructions

Oregon Enterprise Zone Authorization Application

Applicant

This application form serves to authorize your business firm to receive a standard three-year property tax exemption on qualified property that you will own or lease at the specified location in the enterprise zone or rural renewable energy development zone. The local zone manager and the county assessor's office authorize your firm (not proposed property). An approved authorization does not exempt your firm from filing personal property or industrial property tax returns. **Applicable property tax returns must be filed annually.**

An additional application is necessary for qualified property at a different location in the same or another zone, or that is built or installed at a significantly later time. See "Additional property" below.

Mandatory timing in being authorized

- Complete and submit this form to the local zone manager before beginning physical project work (site preparation, construction, installations, etc.) or hiring new employees.
- Such work may begin after submission and before approval of this application.
- Exemption is not allowed on property already assessed or being constructed or installed before the **effective date** of zone designation or boundary change to include site in the zone.
- After submitting this application but before approval, you and the zone manager will hold a **pre-authorization conference**, at which the assessor's office must be able to participate, to formally address special issues or contingencies for qualification. See below.

Extended abatements are exemption periods lasting four or five consecutive years. They entail:

- Written agreement between the business and the zone sponsor, which may include further reasonable requirements imposed by the local zone sponsor, which needs to post the agreement online for at least 21 days before it takes effect.
- Paying a school support fee to the local school district in the fourth and fifth year at a rate, established by the district and sponsor, at 15 to 30 percent of foregone taxes.
- In most zones, all employees working in newly created jobs must receive average annual wages at least equal to the most recently available county wage in the fourth and fifth year, and average annual compensation (including benefits) in all exemption years, that is at least 130 or 150 percent of the county wage at the time of authorization.

First year claiming exemption from property taxes

- The first year of exemption is the year following the calendar year in which the qualified property is "placed in service," which means when the property is first used or occupied, or is physically ready for use or occupancy, for qualifying commercial purposes.

- To qualify to receive the exemption, you must file with the county assessor after January 1, and not later than April 1, following the calendar year in which the qualified property is placed in service using Form OR-EZ-EXCLM, *Oregon Enterprise Zone Exemption Claim*, 150-310-075, and attaching Form OR-EZ-PS, *Oregon Enterprise Zone Property Schedule*, 150-310-076.
- Submit the exemption claim (without property schedule) after each subsequent year of the exemption period in order to confirm ongoing compliance.

Keeping authorization active

If your firm is not ready to claim an exemption after two full calendar years following the approval of this application, then you must submit a letter affirming your continuing interest to the zone manager and county assessor as follows:

- Must submit a letter between January 1 and April 1, following the second full calendar year from the date of authorization; **and**
- Continue to submit the letter after every two subsequent years if the exemption has not begun, as needed.

If not renewed every two years, the authorization becomes "inactive," and a filing fee is then needed to claim the exemption. The county wage for purposes of an extended abatement's requisite compensation also updates with renewal or inactive claim.

Business eligibility

A key function of authorization is to ascertain that a business firm's proposed enterprise zone operations will be eligible.

- The program is primarily directed at for-profit organizations that provide goods or services on a non-retail basis to other business operations, not the general public.
- **Ineligible operations include:** tourism, retail food service, entertainment, childcare, financial services, property management, housing or construction, retail sales of goods or services, health care, professional services, and local fulfillment centers for retail purposes (commercial distribution, warehousing, etc. are still eligible).
- **Eligible operation by exception:**
 - **Call centers** that may receive customer requests and orders by various means, but at least 90 percent must originate from beyond traditional local calling area for land lines.
 - **E-commerce** businesses and property enjoy expanded coverage in up to 15 enterprise zones and the city of North Plains.
 - **Central facilities** for management, marketing, design, etc. For example, a "headquarters" facility is eligible if serving statewide or wider operations of a company. (Investment must closely match description in this application.)

- Most zone sponsors have elected to make **hotels, motels, and destination resorts** eligible in all or certain city/county jurisdictions.

Employment in the enterprise zone

To be authorized, the eligible business firm must commit to satisfy job-creation requirements within the enterprise zone:

- The firm's number of full-time, permanent employees must, at a minimum, increase by one new job or grow to 110 percent relative to the annual average number of employees preceding the date of this application.
- If that minimum is not achieved, new property cannot receive an exemption.
- Tax benefits are forfeited retroactively, if during the exemption period, the required increase in the number of employees is not maintained annually on average, at a minimum, or if the total employee number decreases by 85 percent, or by 50 percent over two consecutive years, relative to its highest level.
- Your firm needs to also obtain a **first-source hiring agreement** before hiring new employees. The local zone manager will direct you to the contact at the local Oregon Employment Department office.
- Your firm and the zone sponsor are solely responsible for compliance/verification of any local additional requirements imposed by the sponsor.
- Also see “Special Issues Worksheet” on the last page.

Employment outside the enterprise zone

The business firm is disqualified if:

- The transfer of operations into the enterprise zone results in Oregon job losses more than 30 miles from the zone boundary.
- The movement of employees into the zone from within 30 miles does not initially increase the combined employment inside the zone and from where they are transferred by at least 10 percent.

Proposed investment in qualified property

To assist eligible business firms in understanding the property tax benefit they may receive for investing in an enterprise zone, the authorization application asks for the best available information on the cost, extent, and timing of planned investments. It is critical for communication among your firm, the local zone manager and the county assessor.

Pre-application activity at site

In general, any work on new property or to prepare land for new construction can begin only after this application is submitted. Examples of exceptions include:

- A project that was started and then abandoned at least six months earlier, and the property is still not assessed.
- Demolition, hazard removal, or environmental cleanup.
- Property acquired from another authorized business firm.

- Purchase or lease of a newly constructed or newly improved building or structure from an unrelated third party. In this case, work may already be underway or completed, but approval of this application must include a copy of the sale/lease agreement and must happen before initially using or occupying the building or structure.

Construction in Process: Property on-site as of January 1 may be exempt for up to two years before being placed in service. Once authorized, file the Form OR-AP-CIPEZ, *Application for Construction-in-Process Enterprise Zone Exemption*, 150-310-021, with the county assessor on or before each April 1, for any qualified property for which work is still underway on January 1. (Not available for centrally assessed/utility or hotel/resort property)

Qualified property criteria

- Property needs to be new, meaning it wasn't used or occupied in the zone more than one calendar year before the 3- to 5-year exemption period begins (subject to filing first claim).
- Machinery and equipment also must be newly acquired or newly transferred from outside of the county.
- Any or all property may be leased from any party, provided that your firm (the lessee) is obligated to pay the property taxes, and that the term of the lease covers the entire exemption period.
- All real property—buildings, structures, and heavy/affixed machinery and equipment—listed on the exemption claim property schedule must **cost** \$50,000 or more in total.
- Personal property machinery and equipment is readily movable and qualifies subject to **per-item cost** minimums. An integrated system consisting of various components may be treated as a single item for these purposes.
- Land, vehicles, motorized/self-propelled devices, rolling stock, non-inventory supplies, and idle or ineligibly used property **don't** qualify.
- The investment in property needs to be for the furtherance of income. For example, it may not be for personal use.
- For a building or structure to be exempt, the authorization must include some indication of it. In addition, if no machinery and equipment is indicated, then no such property qualifies, so that the applicant is advised to account for every basic type of property that could possibly be part of the final, overall project.

Additional property

- With an ongoing investment, subsequent property that is placed in service during the first or second year of exemption on initial property may receive its own exemption period by including a second or third property schedule with the next two exemption claim filings.
- Any major change of plans should be amended into the application, in writing to both the zone manager and the county assessor, before January 1 of the first year of initial exemption, especially to account for any unrepresented building or other type of property.

The following worksheets should be completed before or during the pre-authorization consultation with the local zone manager.

Employment worksheet

Use this worksheet to determine your business firm's annual average employment over the 12 months preceding the date on which you submit this application, and for each assessment year during the period of enterprise zone exemption:

1. Identify those employees or positions within the zone that are: (a) working a majority of their time in "eligible" activities or in support of those activities; (b) paid on average for more than 32 hours per week; (c) **not** employed solely to construct property; (d) **not** seasonal; and (e) **not** temporary—not hired, leased, or contracted for less than one year or on an as-needed/ad hoc basis. Do **not** use "full-time equivalents" (FTE).
2. Determine the number of the above employees at the end of each pay period, calendar month, or quarter over the prior 12 months.
3. Total the number of employees from each period and divide the sum by the number of periods. If not using **months**, include a suitable attachment in place of the following with your application:

$$\begin{array}{r} \text{_____}(1) + \text{_____}(2) + \text{_____}(3) + \text{_____}(4) + \\ \text{_____}(5) + \text{_____}(6) + \text{_____}(7) + \text{_____}(8) + \\ \text{_____}(9) + \text{_____}(10) + \text{_____}(11) + \text{_____}(12) = \\ \text{_____} \div 12 = \text{_____} \quad \text{*Average annual existing jobs} \end{array}$$

4. If your average annual existing jobs* (from number 3, above) is:
 - a) Five or more, multiply by 1.1, as follows:
* _____ × 1.1 = _____, **or**
 - b) Less than five, add one, as follows:
* _____ + 1 = _____.
5. Round the total from 4a or 4b to the nearest whole number (for example, 25.49 becomes 25 and 25.50 becomes 26). Your rounded figure is the minimum number of employees required by April 1 of the first year of exemption.

For purposes of compliance, repeat steps 1–3 and 5 above after each calendar year that qualified property is exempt, such that the number calculated for each exemption year equals or exceeds the figure calculated (as rounded) in step 4 above with this application.

Special issues worksheet

This worksheet is simply a checklist to guide you through certain issues to be addressed as in consultation with the local zone manager or county assessor. Check if the answer is "yes" or "maybe."

- Will the requisite increase in enterprise zone employment be difficult to achieve, even with the new investment? Or could it be somewhat unapparent? In any case, work out verification options with local zone manager. Copies of unemployment insurance reports or other records should be kept on file.
- If the number of jobs will likely not grow by 10 percent, do you want a local waiver by resolution(s) adopted by zone sponsoring governments before authorization, which needs to set a minimum level of employment and may impose additional conditions? Waiver allowed if: a) overall investment costs are \$25 million or more (employee number may even decrease), or b) with 10-percent rise in productivity and funds set aside for workforce training. In a rural renewable energy development zone, waiver is allowed for \$5-million investments without sponsor conditions. Restrictions on transferring jobs into a zone from outside of it are unaffected by any such waiver.
- Would you like your enterprise zone employment to be combined with the jobs at any 100 percent commonly owned firm/corporation(s)? If so, attach a statement with the name of the other company(s). Without such election, even subsidiaries of the same parent corporation in the zone are treated as distinct business firms.
- Are you interested in publicly owned and otherwise available real estate that may exist in the zone, and that

an authorized business firm might have the right to buy or lease if promptly developed?

- If interested in learning of local incentives that some sponsoring governments have established for businesses as part of an enterprise zone package, such as fee waiver, regulatory expedition, etc.?
- Will a qualifying building be partially occupied by another business/tenant or used for ineligible operations? If so, be prepared to carefully identify eligible units or proportion of space to be exempt.
- Is investment pending the site's inclusion in the zone? If so, this application may be approved, but make arrangements to ensure that any construction or installation of new property doesn't begin until on or after the effective date of the boundary change. (Same applies to designation of a new enterprise zone.)
- Is the enterprise zone terminated? This normally precludes authorization or qualification, but a business firm already authorized/qualified at the time of termination can continue to use the zone and might be authorized for further investments up to 10 years after the termination of the zone.

Do you have questions or need help?

www.oregon.gov/dor
503-378-4988 or 800-356-4222
questions.dor@dor.oregon.gov

Contact us for ADA accommodations or assistance in other languages.