

Gubernatorial Approval of

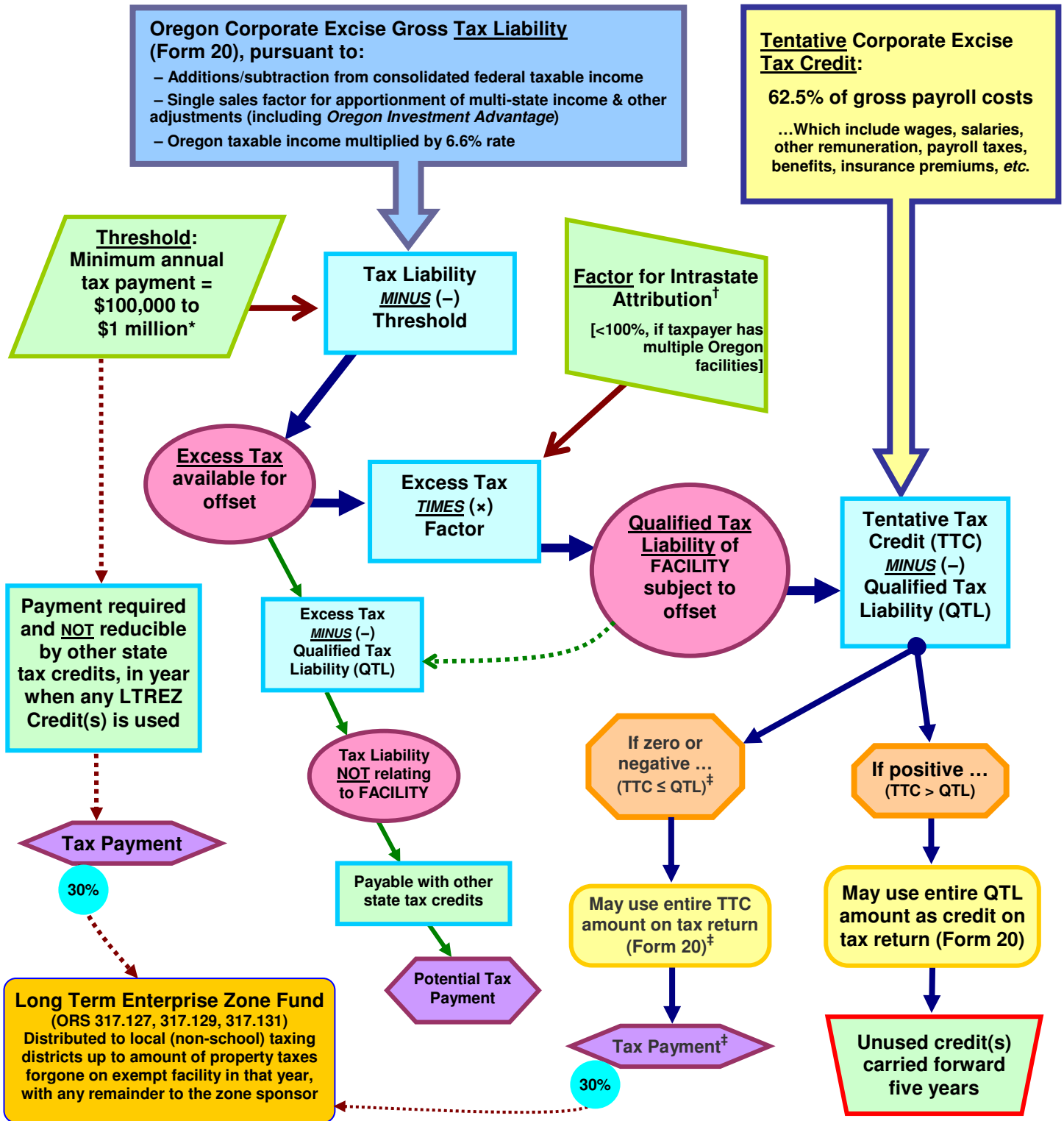
LONG-TERM RURAL ENTERPRISE ZONE CORPORATE EXCISE TAX CREDITS UNDER ORS 317.124

- ❖ A `C` corporation (or the shareholders of an `S` corporation) may claim these credits against state taxes, if *also* qualifying for special 7- to 15-year tax exemption on new property at an enterprise zone facility that it owns.
- ❖ This local exemption from property taxes requires local government approval/certification, minimum hiring/pay and other measures.
- ❖ The Governor may very simply authorize the tax credits.
- ❖ Governor may set the period for any number of years from 5 to 15.
- ❖ This period and whether to grant the credits at all are entirely at the Governor's discretion.
- ❖ By law, the company must formally request the Governor's approval.
- ❖ As a matter of rule and practice, this request is made through the Economic and Community Development Department, as follows:
 - Accepted *after* local approval of the property tax exemption.
 - Addressed from the company to the department's director.
 - Contains best possible information from the business firm about its ability and intent for using the tax credits.
 - Request is forwarded to Governor with following, as warranted:
 - Agency recommendation
 - Information on project, company and so forth—along with tax-savings analysis—as available data (from the company) allows
 - Feedback from inter-agency consultations.
 - Financial data/draft materials are not public records.
- ❖ Governor might grant approval at any time, up until such time, as it is too late for the corporation to claim the tax credits with corporate excise tax return.
- ❖ Corporation begins claiming credits to potentially offset some of its tax liability in any of the first four tax years, once the facility is operational.
- ❖ Effective use of any tax credit depends on a minimum annual tax payment, and computation of the credit is rather complex (see chart on next page).
- ❖ Unused portions of each year's credit may be carried forward for five years.
- ❖ The distribution to local taxing districts of 30 percent of state corporate taxes collected may be a materially significant factor.

Oregon Long-term Rural Enterprise Zone (LTREZ) Corporate Facility Tax Credit: Annual Calculation

(ORS 317.124, 317.125; form #150-102-043)

If approved by Governor for 5 to 15 consecutive years



* Depending on location and number of full-time employees at facility.

† Determined using either CPA/GAAP standards or in-state ratios of facility payroll and property value over taxpayer's statewide totals, added together and divided by two.

‡ This scenario is an unlikely occurrence; any remaining tax liability not payable with other state tax credits.