

TAX ABATEMENTS

BUSINESSES ARE DREAMING, GROWING AND THRIVING IN OREGON, WHICH OFFERS AN ARRAY OF INCENTIVES TO MEET THE ASPIRATIONS OF ALMOST ANY BUSINESS

STANDARD ENTERPRISE ZONE EXEMPTIONS

This program offers immediate, upfront cash savings on new investments in the _____ *Enterprise Zone* [/Rural *Renewable Energy Development Zone*]

- Manufacturing, processing, storage, distribution, call centers and corporate headquarters are all eligible.
- New buildings, additions and equipment installed at the plant receive 100 percent property tax abatement if employment rises by greater of 1 job or 10 percent.
- Exemption is for a minimum of 3 years after property is constructed/installed.
- If new, full-time employee compensation in the zone is at least [150 percent of the county average wage] (\$_____) per year on average, the exemption can be extended up to 5 consecutive years in total by local agreement.

OREGON INVESTMENT ADVANTAGE (BUSINESS FACILITY INCOME TAX EXEMPTION)

This program helps businesses start or locate in Oregon:

- Companies setting up new operations in ____ County, at any industrial zoned site or anywhere inside an urban growth boundary (of city with less than 15,000 population) can receive a 10-year waiver on the business income or corporate excise taxes related to those operations.
- Qualification requires the creation of at least five new “full-time, year-round” jobs.
- The operations at the facility need to be the first of their kind in Oregon for that company, and to not compete with existing business in the local economy.

STRATEGIC INVESTMENT PROGRAM (SIP)

This is an invaluable tool for moderating property taxation of exceptional large investments in capital anywhere in Oregon:

- Exempts from property taxes all of the investment in excess of \$25 million in rural areas, \$100 million, urban—for 15 years.
- Company pays a community service fee equal to 25 percent of the abated taxes, up to a yearly maximum of \$500,000 (rural area) or \$2,000,000 (urban area)
- Exemption is available subject to project-specific agreement or in pre-established local requirements/approval in a designated Strategic Investment Zone.

CONSTRUCTION-IN-PROGRESS

- Commercial, non-utility facilities are exempt from property taxes while under construction and not in use on January 1 of the assessment year for up to 2 years.
- Exemption is generally valid for any manufacturing project, including any machinery or equipment located in the unoccupied facility on January 1.
- Also applies to all qualified property being constructed or installed with any authorized enterprise zone project.

E-COMMERCE ENTERPRISE ZONES

Up to 10 enterprise zones provide enhanced benefits for electronic commerce operations in the following ways:

- Personal property equipment and machinery used for e-commerce more readily qualifies for standard enterprise zone exemption, too!
- Qualifying businesses in these zones also receive a tax credit against the firm’s annual state income or corporate excise tax liability, up to \$2 million per year.
- Credit equals 25 percent of each year’s capitalized investment in assets used in the zone for electronic commerce operations.
- Unused credits may be carried forward up to five additional years.

LONG-TERM RURAL ENTERPRISE ZONE INCENTIVES

Major business investors and communities are turning to this alternative program for very special projects:

- Program provides full relief from all local property taxes on new property at the facility in almost all rural enterprise zones with local approval.
- The property tax exemption on the facility lasts from the start of construction until 7 to 15 years after the new property is first placed in service.
- Investment costs need to equal or exceed \$____ million by the first year of operation, and at least ____ new, full-time employees must be hired within three/five years of commencing operations and maintained.
- Annual employee compensation at the facility needs to stay at or above 150 percent of county average wage (*currently*, \$____), as achieved by the fifth year of operations.
- In addition, the Governor may approve tax credits equal to 62.5 percent of gross payroll to be claimed over 5–15 years against state corporate tax liabilities relating to the facility, over and above a minimum annual tax payment equal \$____ per full-time hire up to \$1 million. Unused credits are deferrable for up to five additional years.

INCOME/CORPORATE EXCISE TAX CREDITS

Oregon has a number of statewide credits in addition to a couple noted above under certain enterprise zone circumstances. The following are a select few of these credits, which can offset business income and corporate excise taxes:

Business Energy Facilities Tax Credit (BETC)

- 35 percent of eligible project costs per year, as pre-certified up to \$10 million per project, for investments in energy conservation, energy-efficient equipment, sustainable buildings, transit, telecommuting support, recycling, research, development & demonstration and other facility types.
- 50 percent of eligible project costs per year for pre-certified:
 - Costs up to \$20 million for high-efficiency combined heat and power or for production of energy or fuels from renewable resources, or
 - Costs up to \$40 million for the manufacture of equipment and so forth exclusively for renewable energy production or utilization.
- Transferable (**salable**) to a third party (pass-through option).
- Taxpayer claims credits over five years, with each having a carry-forward period of eight more years for unused amounts.

Visit <http://www.oregon.gov/ENERGY/cons> for more information.

Biofuel Raw Materials Credit

- Credit based on dollar-per-quantity rates that vary according to the type of biomass as used in Oregon for liquid, gaseous or solid biofuels.
- Biomass means renewable or recurring organic matter, such as forest, agricultural, food and other such waste streams (though, not, lumber mill residue), as well as dedicated crops, excluding corn grain.
- Claimed by either biomass collector or agricultural producer, but transferable (**salable**) to another taxpayer.
- Unused credits may be carried forward up to four additional years.

Visit http://www.oregon.gov/ENERGY/RENEW/Biomass/TaxCdt_2210.shtml for more information.

Dependent Care Tax Credit:

- 50 percent of each year's costs to help employees in terms of:
 - Direct assistance, up to \$2,500 per employee, and
 - Information and referral services.
- Generated based on expenses for childcare and so forth of a certified company program (including on-site operations) otherwise eligible for individual federal tax abatement on an employee's contribution.
- Claimed in lieu of a business deduction for same expenses.
- Unused credits may be carried forward up to five additional years.

Visit http://www.oregon.gov/EMPLOY/ES/BUS/tax_incentive_programs.shtml for more information.

Research Tax Credits:

- Five percent of the excess for the taxable year in Oregon-based research expenses over base amount consistent with federal research & development tax credits.
- Annual maximum credit is \$2 million per corporate taxpayer.
- Unused credits may be carried forward up to five additional years.

Visit Oregon Department of Revenue publication for synopses of various other more specialized credits at:

http://www.oregon.gov/DOR/BUS/corp-tax_credits.shtml

And always, please contact your tax advisor or state agencies for further information about the benefits described here.

OREGON CORPORATE EXCISE TAX

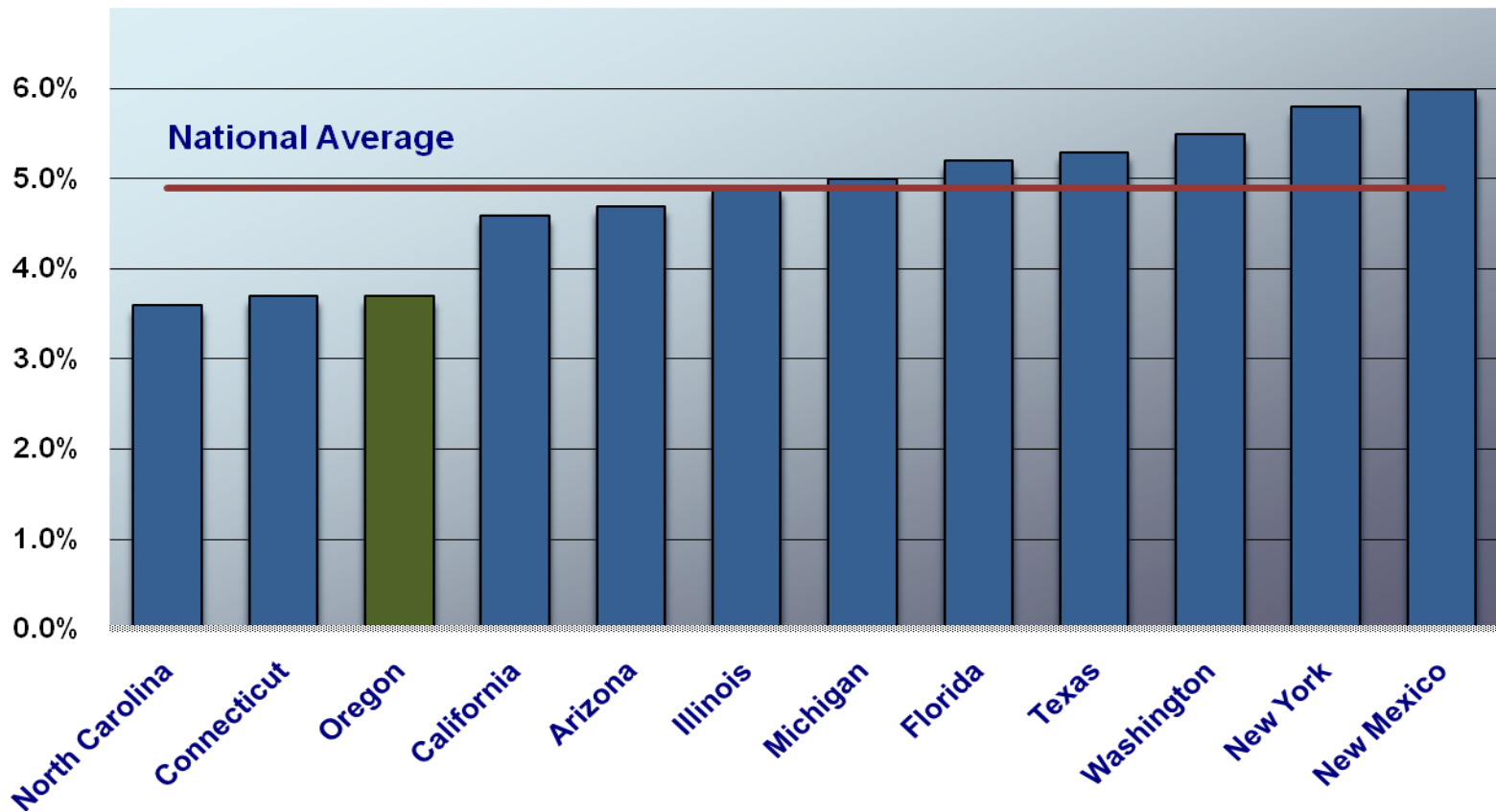
TAX YEAR BEGINNING ON OR AFTER JANUARY 1, ...	BASE RATE ON TAXABLE INCOME*	TOP RATE ON TAXABLE INCOME* IN EXCESS OF ... (\$)	MINIMUM AMOUNT (NOT REDUCIBLE WITH TAX CREDITS) "FOR PRIVILEGE OF DOING BUSINESS IN OREGON"																								
2009	6.6%	7.9% \$250,000	<div style="display: flex; align-items: center; justify-content: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); font-size: small; margin-right: 5px;">IF OREGON SALES † ></div> <table style="border-collapse: collapse;"> <tr><td style="text-align: right; padding-right: 5px;">\$150</td><td style="text-align: left; padding-left: 5px;">\$500,000</td></tr> <tr><td style="text-align: right; padding-right: 5px;">\$500</td><td style="text-align: left; padding-left: 5px;">\$1,000,000</td></tr> <tr><td style="text-align: right; padding-right: 5px;">\$1,000</td><td style="text-align: left; padding-left: 5px;">\$2,000,000</td></tr> <tr><td style="text-align: right; padding-right: 5px;">\$1,500</td><td style="text-align: left; padding-left: 5px;">\$3,000,000</td></tr> <tr><td style="text-align: right; padding-right: 5px;">\$2,000</td><td style="text-align: left; padding-left: 5px;">\$5,000,000</td></tr> <tr><td style="text-align: right; padding-right: 5px;">\$4,000</td><td style="text-align: left; padding-left: 5px;">\$7,000,000</td></tr> <tr><td style="text-align: right; padding-right: 5px;">\$7,500</td><td style="text-align: left; padding-left: 5px;">\$10,000,000</td></tr> <tr><td style="text-align: right; padding-right: 5px;">\$15,000</td><td style="text-align: left; padding-left: 5px;">\$25,000,000</td></tr> <tr><td style="text-align: right; padding-right: 5px;">\$30,000</td><td style="text-align: left; padding-left: 5px;">\$50,000,000</td></tr> <tr><td style="text-align: right; padding-right: 5px;">\$50,000</td><td style="text-align: left; padding-left: 5px;">\$75,000,000</td></tr> <tr><td style="text-align: right; padding-right: 5px;">\$75,000</td><td style="text-align: left; padding-left: 5px;">\$100,000,000</td></tr> <tr><td style="text-align: right; padding-right: 5px;">\$100,000</td><td style="text-align: left; padding-left: 5px;">(Maximum)</td></tr> </table> </div>	\$150	\$500,000	\$500	\$1,000,000	\$1,000	\$2,000,000	\$1,500	\$3,000,000	\$2,000	\$5,000,000	\$4,000	\$7,000,000	\$7,500	\$10,000,000	\$15,000	\$25,000,000	\$30,000	\$50,000,000	\$50,000	\$75,000,000	\$75,000	\$100,000,000	\$100,000	(Maximum)
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2013 or later	6.6%	7.6% \$10,000,000																									

* For a multi-state corporation, taxable income equals domestic taxable income from consolidated U.S. tax return, multiplied by single factor based (100%) on Oregon sales[†] as a fraction of total sales for the consolidated corporate entity.

† Oregon sales include sales to any Oregon customer, sales originating in Oregon to U.S. Government, sales originating in Oregon to customer in a state/country where corporation would not otherwise be subject to taxation, and enterprise sales of intangibles for which income-producing activity occurs mostly in Oregon.

OREGON IS TIED FOR SECOND LOWEST STATE & LOCAL TAX IMPACT ON BUSINESS ...

Effective State & Local Business Tax Rate (2008)



Source: Ernst & Young/Council on State Taxation (2009)

OREGON CORPORATE EXCISE TAX

TAX YEAR BEGINNING ON OR AFTER JANUARY 1, ...	BASE RATE ON		MINIMUM AMOUNT	
	TAXABLE INCOME*	TOP RATE ON TAXABLE INCOME* IN EXCESS OF ... (\$)	(MAY NOT BE REDUCED BY CREDITS) "FOR THE PRIVILEGE OF DOING BUSINESS IN OREGON"	
2009	6.6%	7.9%	\$250,000	\$150
2010	6.6%	7.9%	\$250,000	\$500
2011	6.6%	7.6%	\$250,000	\$1,000
2012	6.6%	7.6%	\$250,000	\$1,500
2013 or later	6.6%	7.6%	\$10,000,000	\$2,000
				\$4,000
				\$7,500
				\$15,000
				\$30,000
				\$50,000
				\$75,000
				\$100,000
				\$500,000
				\$1,000,000
				\$2,000,000
				\$3,000,000
				\$5,000,000
				\$7,000,000
				\$10,000,000
				\$25,000,000
				\$50,000,000
				\$75,000,000
				\$100,000,000
				(Maximum)

* For a multi-state corporation, taxable income equals domestic taxable income from consolidated U.S. tax return, multiplied by single factor based (100%) on Oregon sales[†] as a fraction of total sales for the consolidated corporate entity.

† Oregon sales include sales to any Oregon customer, sales originating in Oregon to U.S. Government, sales originating in Oregon to customer in a state/country where corporation would not otherwise be subject to taxation, and enterprise sales of intangibles for which income-producing activity occurs mostly in Oregon. New minimum amount is levied for every entity with nexus in Oregon and is comparable to a "franchise tax."

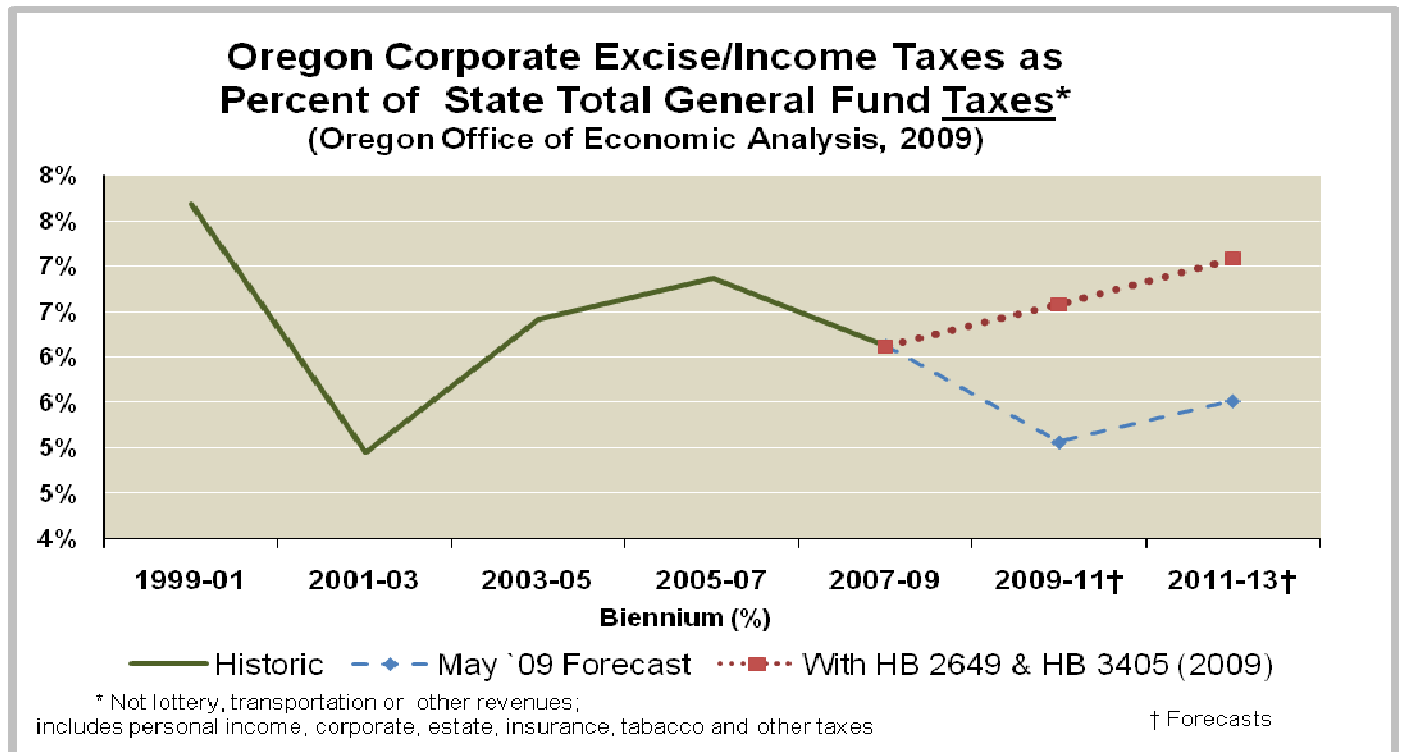


FIGURE 1

State & Local Business Taxes as a Percent of Total Taxation, 2008

(Ernst & Young, 2009)

0% 20% 40% 60% 80%

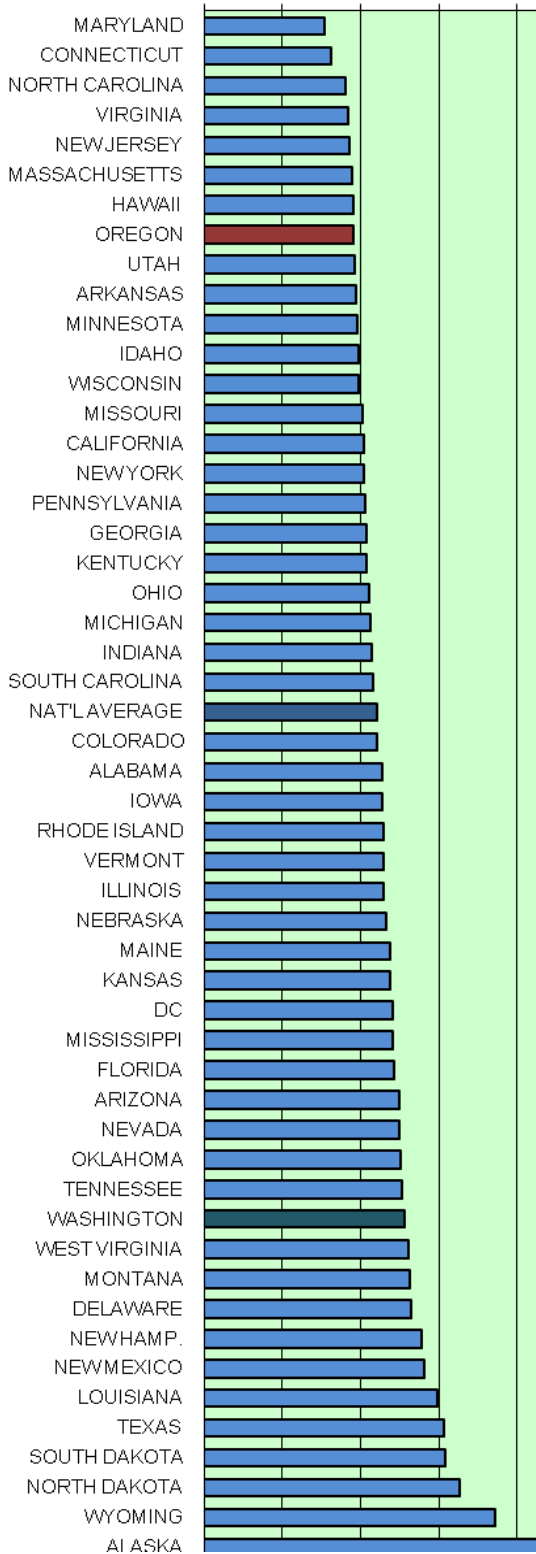
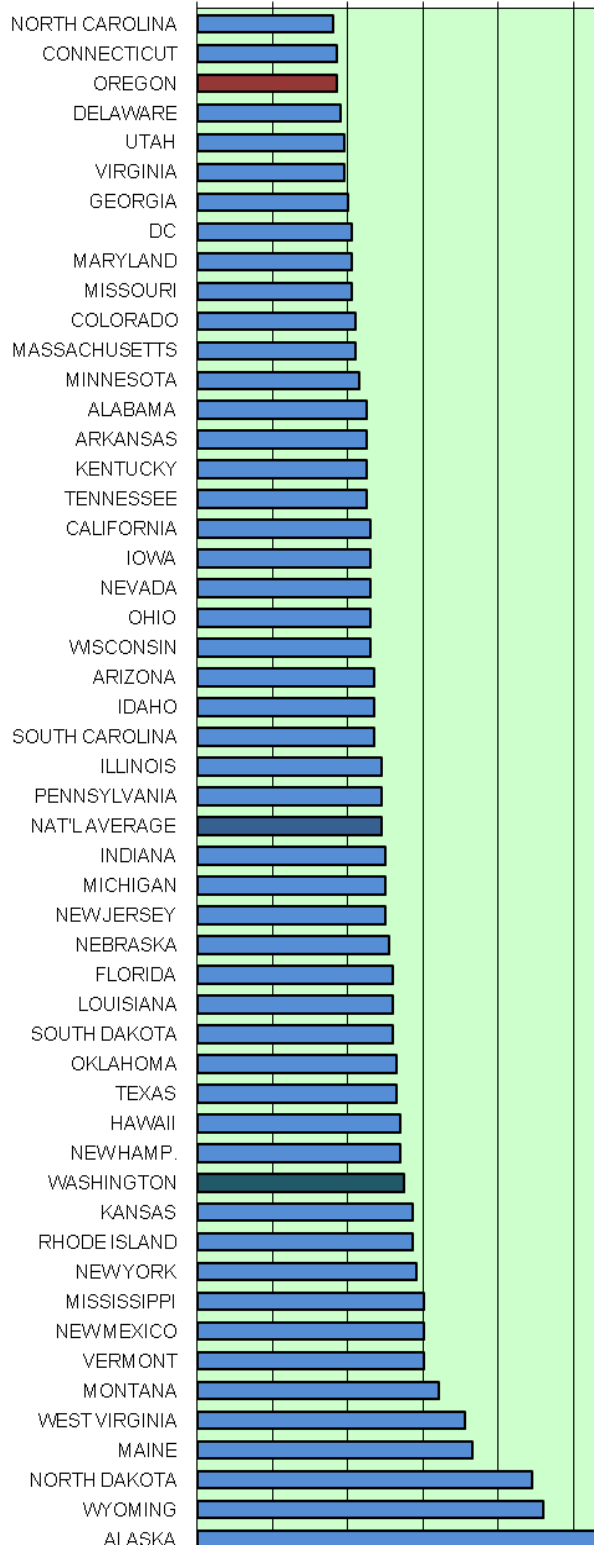


FIGURE 2

State & Local Business Taxes as a Percent of Private-Sector Gross State Product, 2008

(Ernst & Young, 2009)

0% 2% 4% 6% 8% 10%



BUSINESS TAXES ARE WHAT ALL TYPES OF FIRMS PAY IN ALL PRIVATE-SECTOR INDUSTRIES. INCLUDING CORPORATE & BUSINESS INCOME, REAL & PERSONAL PROPERTY VALUE, SELECTIVE & GENERAL SALES, UNEMPLOYMENT INSURANCE AND SOME FEES, BUT NOT MANY STATE OR LOCAL GOVERNMENT CHARGES OR ANY OTHER COSTS.