Strategic Investment Program (SIP) & Gain Share

SIP Background

The Strategic Investment Program (SIP) was adopted by the Oregon Legislature in 1993 to improve employment in Oregon by attracting and keeping job-producing companies. SIP allows local governments and key businesses to negotiate alternative taxing agreements when businesses are willing to invest at least $100 million in an urban area or at least $25 million at a rural location in Oregon. The SIP program has proven very successful in attracting and retaining companies that provide good jobs in Oregon in exchange for limiting property taxes on investments for 15 years.

How does a SIP agreement work?

Oregon law provides various payment streams to local taxing districts from revenue generated by property subject to SIP agreements:

- **Ad valorem property tax revenue** generated when applying current tax rates to the assessed value of investment made up to the urban or rural limits mentioned above. This revenue is collected and distributed to eligible taxing districts serving the project area.
- **Community Service Fee revenue** collected in accord with a specific SIP agreement and in accord with Oregon law (ORS 285C.609). Eligible local taxing districts receive a portion of Community Service Fee revenue.
- **Additional payments** that may be negotiated at the local level.

Gain Share Background

The 2007 Legislature passed Senate Bill 954 to restore fairness between the State of Oregon and local governments involved in SIP agreements. As a partial trade-off for limiting local property taxes, SB 954 grants eligible local governments a share of the personal income tax revenue generated by the retention and creation of SIP-related jobs.

What problem did the Gain Share legislation seek to address?

Local communities assume significant risk and cost when cities and counties execute SIP agreements:

- Millions of dollars in property tax revenue is foregone, and only partially offset by local SIP fees and payments.
- Business expansion strains local transportation systems and impacts the delivery of many other local public services.
- Large-scale tax abatement—despite job creation and other benefits—raises issues of tax fairness within local communities.

What process is used?

1. **Business Recruitment and Retention**
   Local governments and the State of Oregon work together to attract and retain capital-intensive businesses willing to invest at least $100 million in an urban area or $25 million in a rural setting. SIP participants in Oregon include large-scale technology manufacturers, a biopharmaceutical firm, a paper product manufacturer and wind-power businesses.
2. **Agreement Negotiated Locally**
   City and county governments negotiate with partnering businesses to apply an alternative property tax structure for qualified investments. Property taxes on investment under the $100 million/$25 million caps, Community Service Fee revenue and any other negotiated payments are agreed to over a 15-year exemption period.
3. **State Consideration and Adoption**
   Locally negotiated SIP agreements must first be approved by the Oregon Business Development Commission before taking effect.
4. **Investment Begins**
   Businesses begin to invest, creating jobs in Oregon both directly and indirectly. Local taxing districts begin receiving property tax, Community Service Fee and any other agreed-to revenue. The state government would continue or begin to receive personal income tax revenue from retained or newly created jobs. Local property taxes are abated on investment above the $100 million/$25 million caps.
5. **New Income Tax Revenue Is Shared**
   The state collects personal income taxes directly attributed to the project where a SIP property tax exemption applies. Half of this amount is distributed by the Oregon Department of Administrative Services to eligible taxing districts consistent with the distribution of the Community Service Fees for SIP projects. The state retains the remaining funds.

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