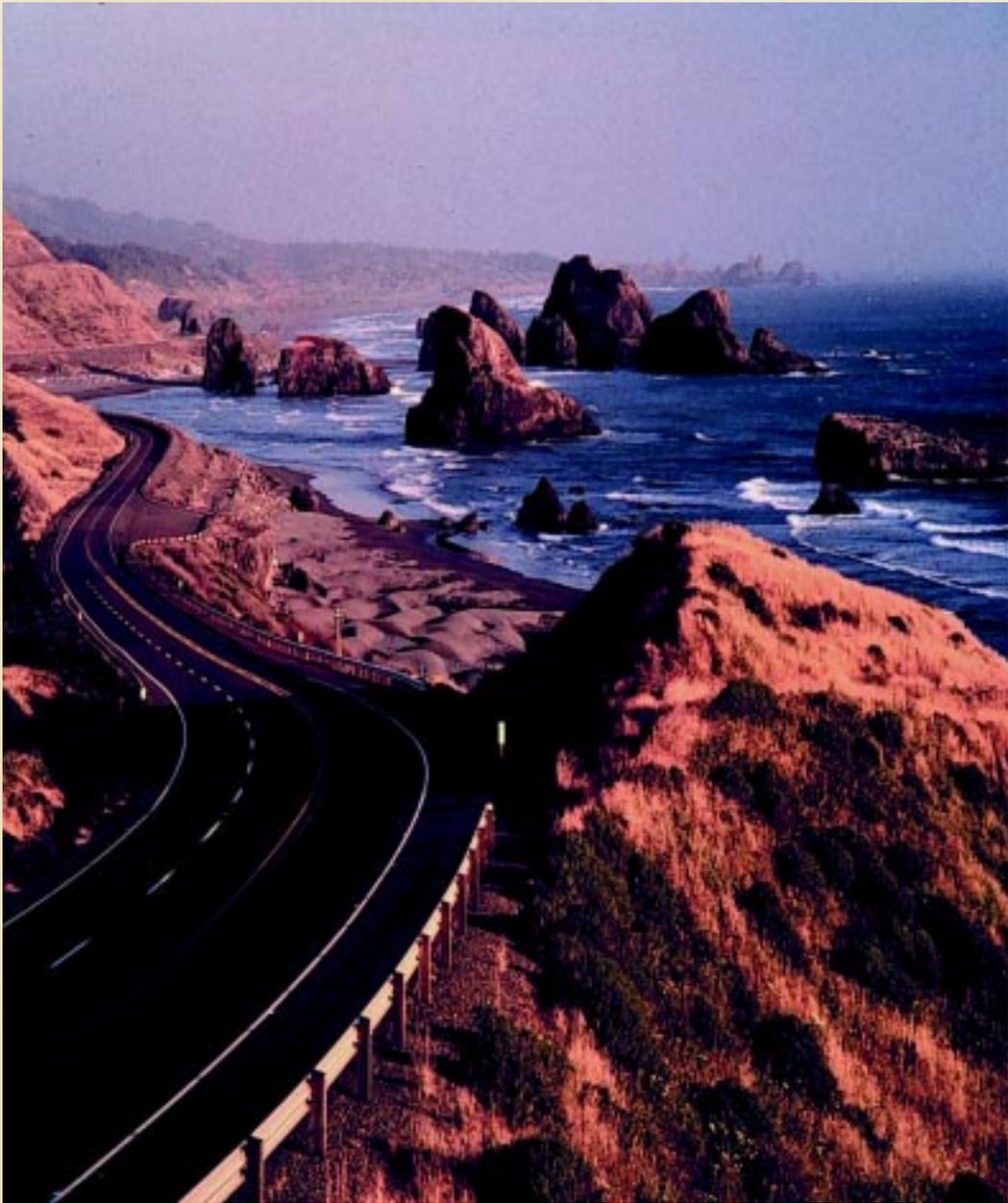


# OREGON BUSINESS



COME FOR A WEEK, STAY FOREVER

OREGON. WE LOVE DREAMERS.



## OREGON BUSINESS

### COME FOR A WEEK, STAY FOREVER

Everybody loves Oregon.

We're that gorgeous state above California filled with trees and free thinkers. You come here to explore. To see where the trail ends. You come for the pristine beaches and mountains. You visit the wineries. Shop in the cities. Swing clubs on the links. Eat the cuisine. You come here to escape your hectic world, finally to unwind and then rejuvenate. You come to Oregon for vitality. The thing is, when you're here, you realize that this is exactly how you imagine the good life to be, so when it's time for you to leave, you kind of feel like you're leaving your home. And you want to come back.

What if you planted your business here? Your family? Your life?

Oregon is filled with diverse industries powered by like-minded companies who want to lead the way, and do. That's why Oregon's largest demographic is the young creative set. The 21-35 year-old forward thinkers who are educated and skilled enough to work anywhere in the country, but they choose Oregon.

Businesses based here enjoy financial benefits designed to make running a company easier and more successful. Oregon's worker's compensation rate has lowered every year for the past twelve, and it's 65 percent lower than California's. No other state can say that. Our ports and transportation of goods are streamlined for leading efficiency. Oregon's tax system favors you. There's no sales tax, inventory tax, state business or occupations tax. Energy costs are also low, up to 50 percent lower than those of our southern neighbor. In fact, Oregon is in the lowest 25 percent of overall business costs in the nation. So thriving here isn't a matter of if, it's a matter of when.

When will you decide that your business belongs here? That your family belongs here? That you belong here?

It's beautiful in Oregon. Come visit for a week and let us show you.

## OREGON INDUSTRY & THE STATE

### NEWLY FORGED PARTNERSHIPS BETWEEN THE STATE AND INDUSTRY DRIVE OREGON'S FUTURE SUCCESS.

Oregon state government, under the leadership of Governor Ted Kulongoski, is focusing its efforts on traded-sector industry cluster development to help diversify and strengthen Oregon's economy. The Governor and other statewide economic development officials are meeting with and listening to business leaders to really discover what the state can do to help them succeed and provide good jobs for all Oregonians.

#### INDUSTRY CLUSTER DEVELOPMENT

The Oregon Economic and Community Development Department is in the process of identifying existing industry clusters throughout the state—clusters such as High Technology, Agriculture, Metals and others already exist in strong numbers. The state's role is to help identify opportunities to expand existing businesses and bring new members of these clusters to Oregon.

#### INDUSTRIAL LANDS INITIATIVE

In order to help an existing business grow or bring a new business to the state, Governor Kulongoski recognized the need to have "project-ready" industrial sites available to meet the needs of the private sector. The Governor is getting ready to announce the first round of newly certified (project-ready) locations statewide. This ongoing process will provide companies a bank of land that is no more than six-months away from ground breaking.

#### TRANSPORTATION INFRASTRUCTURE

With the single largest investment in transportation infrastructure since Oregon first built its intrastate highways ready to begin in the Spring of 2004, Oregon is building on an already top-tier freight mobility system that allows business to deliver goods and services to the world.

## OREGON BUSINESS COSTS

**“OREGON’S APPEAL AS A GREAT PLACE TO LIVE AND WORK IS KEY TO ATTRACTING THE BEST AND BRIGHTEST TO WORK FOR US AT OUR OREGON SITE—INTEL’S LARGEST AND MOST COMPLEX SITE IN THE WORLD.”**

—RAY GUENTHER, DIRECTOR, INTEL NORTHWEST REGIONAL OPERATIONS

Oregon state government is supported primarily by personal income, corporate excise taxes and a state lottery. Local governments are largely funded by property taxes. State government receipts of personal income and corporate excise taxes contribute to the state’s “General Fund” budget, the growth of which is controlled by Oregon law. Oregon must balance expenditures with receipts and cannot operate in deficit or maintain a surplus.

Oregon does not impose a general sales tax, inventory tax, worldwide unitary tax, motor vehicle excise tax, business and occupations tax or direct levies on intangible properties, such as stocks, bonds or securities.

### **CORPORATE EXCISE TAX**

A 6.6 percent excise tax is applied against the net Oregon income of corporations doing business in the state. Certain corporations deriving income from “sources within Oregon,” but not actually located and doing business in the state, are subject to the corporation income tax. The tax is levied on that portion of net income assignable to Oregon. In apportioning net income for corporations operating in more than one state and engaged in unitary business, Oregon generally follows the Uniform Division of Income Tax Purposes Act. The apportionment formula consists of property, payroll and a sales factor. The sales factor currently is 80 percent and moves to 90 percent in 2006 and 100 percent in 2008. Additional information can be found at the Oregon Department of Revenue web site, <http://www.dor.state.or.us/>.

### **PERSONAL INCOME TAX**

The state legislature adopted the federal definition of taxable income with some modifications. The tax schedule applies to the net taxable income of salaried workers, sole proprietors and partners who are residents of Oregon. Non-residents also are taxed at these rates on income derived from sources within the state. The current maximum rate is nine percent on single returns with taxable income greater than \$5,000 and joint returns greater than \$10,000.

For tax years 2003 and 2004, the effective maximum rate is 9.81 percent for those with adjusted gross incomes over \$120,000 (\$240,000 for those filing joint returns).

## OREGON PROPERTY TAX

### TWO VOTER-PASSED BALLOT MEASURES DURING THE 1990'S HAVE REDUCED TAX BURDENS ON BOTH BUSINESSES AND INDIVIDUALS.

Property taxes are used to support local taxing districts such as public schools, cities and counties. Property taxes are not used to finance state needs.

The tax applies to privately-owned real property such as land, homes, farms, stores, factories, warehouses and commercial offices. Personal property subject to taxation includes machinery, equipment and supplies used to produce income or with the potential of producing income. However, personal property held for the use and enjoyment of individuals is exempt. Inventory which will be sold in the ordinary course of business also is exempt.

The property tax rate is calculated annually by the county assessor, based on levies of local taxing districts on total assessed value. With the exception of voter approved bond issues, the property tax rate is limited by state constitution to 1.5 percent of assessed value, based on the real market value. The increase in valuation on property is limited to 3 percent per year. Oregon's average tax per \$1,000 of real market value was approximately \$11 in 2002.

#### PROPERTY TAX EXEMPTIONS FOR INDUSTRY

- Enterprise Zones—three- to five-year exemptions for qualifying new investments with exemptions up to 15 years in certain cases
- Strategic Investment Program—exempts major portions of large investments
- Construction-in-progress—exempts most property taxes for projects during the construction phase.
- E-commerce Zones—income tax credits and property tax exemptions for qualified businesses
- Small City Business Income Tax Credit—income/excise tax waiver for qualified companies

## INSURANCE REQUIREMENTS

OREGON IS THE FIRST STATE IN THE NATION TO  
EXPERIENCE TWELVE ANNUAL CONSECUTIVE REDUCTIONS  
IN WORKERS COMPENSATION RATES.

### WORKERS' COMPENSATION INSURANCE

All employers doing business in Oregon are subject to the Oregon Workers' Compensation law. Employers must have workers' compensation insurance before they employ workers and can meet this requirement by buying coverage from any commercial insurance company qualified to write workers' compensation insurance, or from SAIF, a public non-profit organization. Large employers, who qualify, may be certified as a self-insured employer if they wish. Those without the insurance are subject to penalties and will be liable for all claim costs if one of their employees is injured on the job.

Oregon is the first state in the nation to experience twelve annual consecutive reductions in workers compensation rates. Reductions have resulted in a drop in rates of 57.4 percent since 1990—a savings of \$8.8 billion to employers. In 2002 the overall average rate reduction was 0.1 percent; the overall average reduction for the manufacturing sector was 10.3 percent in 1999. These reductions have proven to be a major factor in the successful operation of companies in Oregon and is considered to be a model for other states. Oregon's premiums continue to stay flat or decline even as neighboring states experience substantial increases.

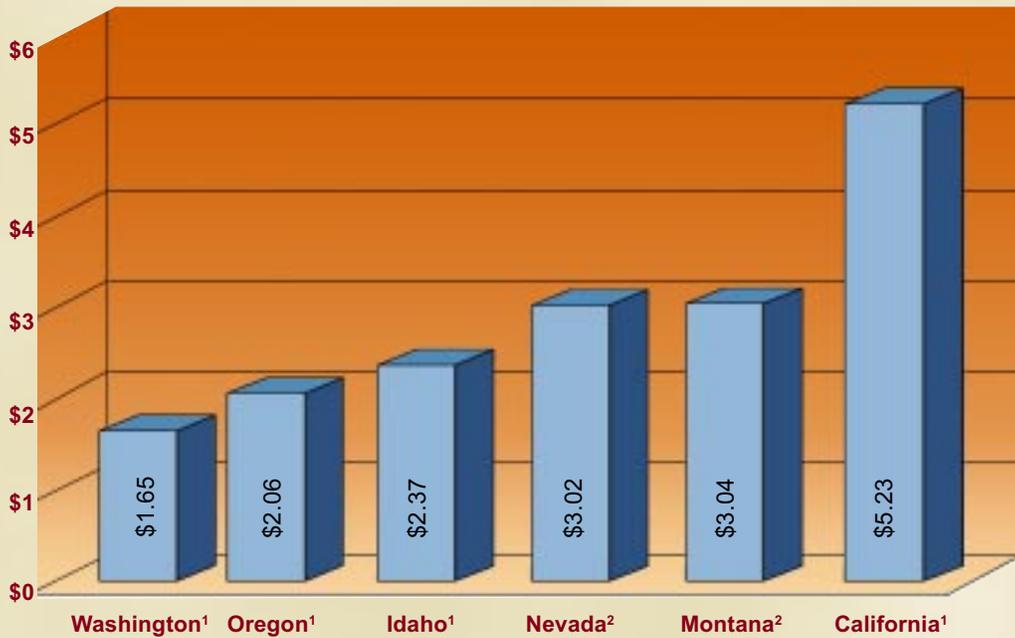
### UNEMPLOYMENT INSURANCE

Unemployment Insurance (UI) taxes are used to fund an insurance program for covered workers who become unemployed through no fault of their own. Most employers are subject to unemployment insurance law. New employers are assigned a "base rate" until they have had sufficient "experience" to qualify for an "experience rate-based" tax rate—usually about three years. In 2003, the rate was calculated on each employee's first \$26,000 of wages. Employers with an experience rating will have rates anywhere from 1.2 to 5.4 percent (according to the 2003 rate schedule). The experience rating is based solely on the employment experience of the company and does not vary according to industry history.

In addition, employers must pay a federal unemployment insurance tax based on payroll—Federal Unemployment Tax Act (FUTA).



**Average Workers' Compensation Premium  
for several job types**



Per \$100 of payroll

<sup>1</sup>effective date January 1, 2002

<sup>2</sup>effective date July 1, 2001

## **TAX EXEMPTIONS AND CREDITS**

### **SMALL-CITY BUSINESS TAX EXEMPTION**

Companies locating or expanding in certain disadvantaged cities or counties in Oregon may be eligible for a ten year income/excise tax waiver. Qualification for the income tax waiver requires the creation of at least five new “full-time, year-round” jobs meeting certain income/benefit levels. Qualifying companies cannot operate another such facility inside Oregon or compete with other firms in the community. Refer to the Enterprise Zone map for counties with qualifying cities. This tax exemption can be combined with the Enterprise Zone Property Tax exemption where available and if qualified.

### **ENTERPRISE ZONES**

The Oregon Enterprise Zone Program was created as a business incentive to create new jobs by encouraging investment in economically lagging areas of the state. If you locate your facility in an enterprise zone, new construction and eligible equipment installed in the plant receives a 100 percent property tax abatement for a minimum of three years. Manufacturing, distribution, call centers and corporate headquarters are all eligible.

If employee compensation at the facility is 150 percent of the average wage in the county where the new or expanded facility is established, the property tax exemption can be extended to five years with local approval.

### **ENHANCED ENTERPRISE ZONES**

This incentive was created by the Oregon Legislature in 1997 to spur major industrial investments in rural areas of the state with high unemployment rates. The incentive provides 7–15 consecutive years of full relief from assessment of all local property taxes at the investment site. Credit equal to 62.5 percent of gross payroll is applied against state corporate income tax liabilities relating to the facility, over and above the first \$1 million in annual income taxes. Finally, there are no state corporate income taxes or local property taxes imposed on the facility until it is placed in service.

# OREGON ENTERPRISE ZONES



SEPTEMBER 2003

	Nonurban		Zone Eligible for Long-term Rural Tax incentives (subject to change)		Small City Business Tax Exemption Available, too
	Urban				Federal Enterprise Community, also designated as Oregon Enterprise Zone
	Reservation				Federal Enterprise Community
	Electronic Commerce Designation: Special Tax Credit		Hotels/Resorts Eligible for Regular Exemption		Contains site(s) of federal foreign-trade zone

To qualify, the project must be in an eligible, non-urban enterprise zone. Depending upon location, new investment must exceed \$2–50 million by the end of the first year of operation, 10–75 new, full-time employees must be hired within five years of operation and that level must be maintained during the 15 year abatement period and the average “wage” at the facility must stay at or above the 150 percent county annual average.

### **POLLUTION CONTROL TAX CREDITS**

Oregon provides corporate tax credits to companies utilizing pollution control technologies or facilities that meet or exceed Environmental Protection Agency, Oregon Department of Environmental Quality. The current maximum credit is 25–35 percent of the certified cost of the qualifying investment in the pollution control facility and equipment. The annual credit is determined by the useful life for up to ten years. There is no limit on the amount of the investment.

### **BUSINESS ENERGY TAX CREDIT**

The Business Energy Tax Credit (BETC) is an Oregon tax credit program equal to 35 percent of the eligible project costs for equipment that is at least ten percent more efficient than currently required by the Oregon Uniform Building Code. Other eligible costs include “sustainable” buildings, transit-use support, company van pool vehicles and telecommuting equipment. The total eligibility per project is \$10 million or a tax credit of \$3.5 million. A pass-through option is available that allows a third party to claim the tax credit, which can yield a one time cash payment of about 28 percent of the project cost. The Department of Energy has engineering staff available to provide technical assistance and your utility provider can assist with the application.

### **RESEARCH TAX CREDIT**

The research tax credit applies to qualified research expenditures during the tax year. The credit is equal to five percent of the increase in qualified research expenditures over a base amount for the taxable year. Alternatively, the credit is five percent of the increased qualified research expenditures that exceed ten percent of Oregon sales for the year (capped at \$10,000 for each percentage point in excess). The annual maximum credit is \$500,000 or one-third of the taxpayer’s liability before credits. The maximum credit will increase to \$750,000 starting in 2006.

## **OREGON UTILITIES**

### **OREGON UTILITIES HAVE A STRONG RECORD OF DELIVERING SAFE, RELIABLE POWER.**

#### **ELECTRIC UTILITIES**

Electricity costs for Oregon's commercial and industrial customers are well below the national average. Drawing on a diverse mix of energy resources, nearly half of the electricity consumed in the Pacific Northwest comes from the Bonneville Power Administration's hydro projects. The remaining power comes from other hydro resources, coal- and natural gas-fired combustion turbines, wind and solar energy. Since 2002, business customers have had the choice of market-based pricing. Under this option, costs fluctuate with the wholesale power market, presenting potential risks and rewards. Businesses can continue on rates based on the utility's cost of service or leave the utility and buy power directly from an energy service supplier.

The Energy Trust of Oregon promotes energy efficiency and renewable energy development in the state and offers cash incentives for businesses investing in energy-efficient equipment. Tax credits and low-interest loans for energy conservation and renewable energy investments are available through the Oregon Department of Energy.

#### **GAS UTILITIES**

Three utilities distribute natural gas to Oregon customers and large customers have many service options with choices among various classes of service, such as sales or transport and firm interruptible. All northwest distributors offer competitive commodity portfolios to their industrial customers. Two major interstate transmission pipelines bring wholesale suppliers to the region providing capacity and competitive prices.

#### **VOICE AND DATA NETWORKS**

Oregon communities are served by telephone, cable, wireless and competitive access service companies providing state-of-the-art telecommunications technologies. Providers recently completed major infrastructure projects including multiple optical fiber networks delivering high capacity digital services throughout the state. Broadband internet access is widely available for business and residents.

## **OREGON'S FINANCING INCENTIVES**

### **INDUSTRIAL DEVELOPMENT REVENUE BOND PROGRAM**

The Oregon Economic and Community Development Commission issues Industrial Development Revenue Bonds for manufacturing and processing facilities in Oregon. The rate can be 75–80 percent of conventional rates. Projects range from \$1.5–\$10 million.

### **OREGON BUSINESS DEVELOPMENT FUND**

The Oregon Business Development Fund (OBDF) is a revolving loan fund where manufacturing, processing and regionally-significant tourism projects are eligible to apply for assistance. The fund provides long-term (fixed-rate Treasuries +1%) financing for land, buildings, equipment, machinery and permanent working capital. Creation of new jobs or retention of existing jobs is required. The program places particular emphasis on rural and distressed areas and on businesses with fewer than 50 employees. The maximum loan is \$500,000 or 40 percent of a project, and may be subordinated to a senior lender.

### **OBDF TARGETED DEVELOPMENT ACCOUNT**

Loans made out of the OBDF targeted account are at a rate of four percent less than the prime rate. The maximum term is five years, with a maximum amortization of 15 years. Loans from the targeted account must have either a senior or co-senior lien position on the assets.

### **OREGON CAPITAL ACCESS PROGRAM**

The Capital Access Program is designed to increase the availability of loans from banks to small businesses. The program provides a form of loan portfolio insurance so lenders can make business loans that carry higher than conventional risks, but are within the soundness and safety requirements of federal and state banking regulations.

### **OREGON CREDIT ENHANCEMENT FUND**

The Credit Enhancement Fund helps small business firms create jobs by providing guarantees, thereby increasing capital availability. The fund can guarantee working capital or fixed asset bank loans. Banks originate and service the loans and the Oregon Economic and Community Development Department reviews and approves the loan guarantees.

### STRATEGIC INVESTMENT PROGRAM

The Strategic Investment Program exempts a major portion of large capital investments (over \$100 million) from property taxes for 15 years with local approval. To offset the fiscal impacts to the community where the project locates, the manufacturer pays a community service fee equal to 25 percent of the abated taxes, up to a maximum of \$2 million annually.

### E-COMMERCE ENTERPRISE ZONES

Four of Oregon's enterprise zones have received special status to encourage electronic commerce, or "E-Commerce," investments. The most significant feature of these new designations is that qualifying businesses may receive a credit against the firm's annual State income or corporate excise tax liability, up to \$2 million. The credit itself equals 25 percent of that tax year's capitalized investment in operations related to e-commerce. The amount of credit remaining unclaimed is carried forward over the succeeding five years.

In addition to expanded eligibility of business operations, the type of personal property equipment and machinery that qualifies for the exemption also is more broadly defined.

### CONSTRUCTION-IN-PROGRESS

Under provisions of Oregon law, new commercial facilities will be exempt from property taxes while they are under construction and not in use on January 1 of the taxing year. This construction exemption may be valid for two years with manufacturing projects. The exemption also applies to any machinery or equipment located in the unoccupied facility on January 1. The exemption does not apply to the land. Depending on the construction status and occupancy of the project on January 1, substantial tax savings can be realized by a company during the construction period.

## PROJECT DEVELOPMENT ASSISTANCE

### PERMITTING PROCESS

In Oregon, state and local government agencies work together to “fast track” construction permits. The Oregon Economic and Community Development Department has permitting and regulatory experts on staff. At the city level, developers and city staff work closely and cooperatively as the project moves forward. Initial plan review meetings with individual departments are encouraged so all parties can gain a thorough understanding of the project from the start.

### INFRASTRUCTURE

The Special Public Works Fund provides Oregon lottery money for public infrastructure supporting business development projects that create or retain permanent jobs. Funding is a loan or a combination of loans and grants made available through direct financing or from the sale of revenue bonds sold through the Oregon Bond Bank. Loans of up to \$10 million are available. Grants of up to \$500,000 are available if the municipality demonstrates it cannot service loan financing and if businesses commit to job creation.

If a site you're seriously interested in needs additional public infrastructure such as roads, sewer, water or drainage the Special Public Works Fund can provide the resources for those improvements. Our department arranges financing between the state, the community and the benefitting property owners.

### SITING ASSISTANCE

We can provide a custom proposal of available sites to traded sector companies. Once the completion of a site-requirements form is completed, we will solicit and assemble a list of qualifying sites, along with specific community information. We also can assist with the scheduling of site-specific visits.

### BROWNFIELDS REDEVELOPMENT

Oregon's Prospective Purchaser Agreement Program can provide liability protection. Funding for site assessments and cleanup is available from the Brownfield Redevelopment Fund. More information can be found at <http://www.deq.state.or.us/wmc/cleanup/brn0.htm>

## WORKFORCE DEVELOPMENT ASSISTANCE

### PLANTING SEEDS FOR OREGON'S GROWING FUTURE

The Governor has directed state and local agencies to tie together supply (upgrading skills of workers) and demand (where the jobs will be in the future) workforce services to better meet the needs of businesses and workers. As a result, an integrated, statewide network has been established linking economic development efforts with work force development and training at the state and local level. It will help Oregon businesses keep existing jobs, add new jobs and develop their greatest asset—their workforce.

### WORKFORCE TRAINING FUND

The Governor also has established the Employer Workforce Training Fund that is dedicated to upgrading skills of current workers in Oregon-based businesses. The fund provides private-sector companies with more flexible, responsive training resources for their current workers. It helps them enhance productivity, adapt to new technologies and increase their competitiveness in the global economy.

### WORKFORCE RESPONSE TEAMS

The Employer Workforce Training Fund will be used at the regional level for job-attached training for incumbent, private sector workers. The regional workforce response teams (WRTs) are the primary means by which the state of Oregon will deliver its business-based workforce services. WRTs will function at the speed of business, like workforce SWAT teams, bringing together economic development, workforce, training and employer services providers, to give businesses, labor and industry coordinated solutions to workforce needs in key industries. With the Workforce Response Teams there is no wrong door—all the partners work together to provide comprehensive business solutions. Located in each of the 15 workforce regions statewide, WRTs identify and award grants to existing, eligible businesses, groups of businesses and worker organizations.

The third leg of the Governor's initiative is the recently launched web portal, WorkSource Oregon—<http://www.worksourceoregon.org/>—which provides one-stop shopping for Oregon businesses. Whether you need to fill a job or open a factory, WorkSource Oregon has solutions for your workforce challenges. We provide an unmatched matching service connecting skilled workers with your needs, and provide training and business incentives that can't be beat.



THE BOOK OF OREGON



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