

# Administration of Data Center Valuation and Property Tax Incentives

Prepared by the Oregon State Assessors and Tax Collectors Association (OSATCA)  
In coordination with Umatilla, Washington and Morrow Counties  
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# Data Centers - Enterprise Zone

- ▶ Enterprise Zones are created by Zone Sponsors.
- ▶ Zone sponsors can be a County, a City, a Port or Tribal Government or any combination of the those.
- ▶ Enterprise Zones have a geographical boundary created by the sponsors.
- ▶ Zone Sponsors retain all application and negotiated fees. When a County is not a sponsor, the County may not receive any negotiated fees.
- ▶ Enterprise Zone exemptions have wage and employment requirements.

# Data Centers - Enterprise Zone

- ▶ There are two Enterprise Zone programs, Standard and Long Term Rural.
- ▶ The Standard EZ program is 3-5 years.
  - ▶ A 3-year Standard EZ exempts 100% of the qualifying property from property taxes with no in-lieu-of tax payment requirement.
  - ▶ A Standard EZ extended abatement (additional 2 years) requires a statutory payment for schools and sponsors can negotiate an additional payment.
  - ▶ HB 4084 in 2026 extended the exemption period to up to 10 years for qualifying businesses.

# Data Centers - Enterprise Zone

- ▶ The Long Term Rural EZ Program is for 7-15 years.
  - ▶ LTREZ exempts 100% of the qualifying property from property taxes.
  - ▶ LTREZ has the statutory payment to schools and sponsors can negotiate additional payments.

# Data Centers - Enterprise Zone

- ▶ Both Enterprise Zone programs require a vast amount of administration from County Assessment & Tax Offices.
- ▶ County Assessors must approve or deny application authorizations, approve annual claim forms and property schedules, and track employment and wage requirements.
- ▶ County Assessors must complete and submit annual reports to the Oregon Dept. of Revenue and Business Oregon

# Data Centers - Strategic Investment Program

- ▶ A Strategic Investment Program (SIP) exemption can be up to 15 years.
- ▶ SIP exemption agreements are negotiated with the governing body where the business is locating, which can be City or County and Port District.
- ▶ In cases where a City is the jurisdiction, a County has no negotiating powers.

# Data Centers - Strategic Investment Program

- ▶ SIP exemptions have a “Taxable Amount”, which per statute, depends on the level of investment and can be \$40 - \$150 Million.
- ▶ SIP exemptions have a statutory Community Service Fee of 25% of the exempt tax amount with a cap of \$3.5 Million. This fee gets distributed to the affected taxing districts which serve the property, excluding schools.
- ▶ There is opportunity to negotiate additional fees beyond the Community Service Fee for local needs.

# Data Centers - Qualification/ Disqualification

- ▶ A business must apply to the Zone Sponsor(s) for an EZ exemption, and the County Assessor must approve the application authorization.
- ▶ A business must apply to Business Oregon for an SIP Exemption and then negotiate with the governing body who has jurisdiction.
- ▶ This must be completed prior to the business starting construction.

# Data Centers - Qualification/ Disqualification

- ▶ County Assessors have the only authority to approve, deny or disqualify businesses from an exemption.
- ▶ If a business fails to meet the statutory and/or contractual obligations of either the EZ or SIP agreement, then the County Assessor must disqualify them from the program.

# Data Centers - Qualification/ Disqualification

- ▶ This may include but not limited to removing the exemption and making the property fully taxable.
- ▶ Calculating prior year's exempt tax amounts and adding them to the current tax roll as a special assessment.
- ▶ If the business re-qualifies in a subsequent year, we must re-active the exemption.

# Data Centers - Valuation

- ▶ Any type of business that is granted either an EZ or SIP Exemption must be valued annually as if they were normally taxed.
- ▶ Data centers are mostly valued by the Oregon Dept. of Revenue (DOR) for the County which they are located.
- ▶ Some larger Counties conduct their own valuation of data centers.

# Data Centers - Valuation

- ▶ The DOR typically values data centers using a depreciated trended investment approach, utilizing the business' reported costs and depreciating those assets along with recognizing asset retirements and additions.
- ▶ Local County valuation may use this method, as well as performing an income approach based on leased data space for each company, which is the industry standard.

# Data Centers - End of Exemption Period

- ▶ When the property reaches the end of its exemption period and becomes fully taxable, Counties have experienced an increase in valuation appeals to Oregon Tax Court.
- ▶ These appeals can be very costly and time consuming.

# Data Centers - End of Exemption Period

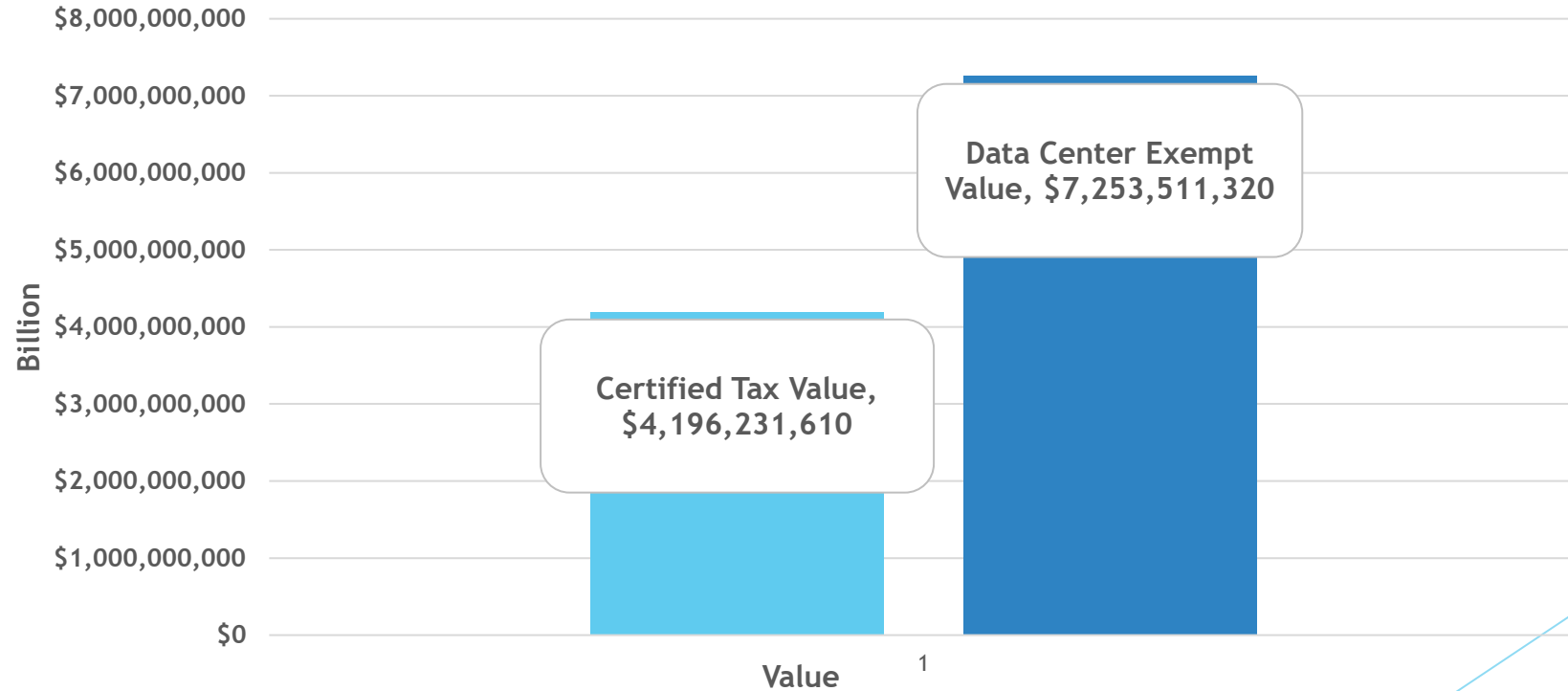
- ▶ If the property was valued by the DOR, they defend their value in court assuming all costs.
- ▶ If the property was valued locally by the County, the County must defend their value with no financial or administrative help from the DOR.

# Data Center Property Tax Incentives

- ▶ Following are examples of Data Center exemption information from Morrow and Umatilla Counties.

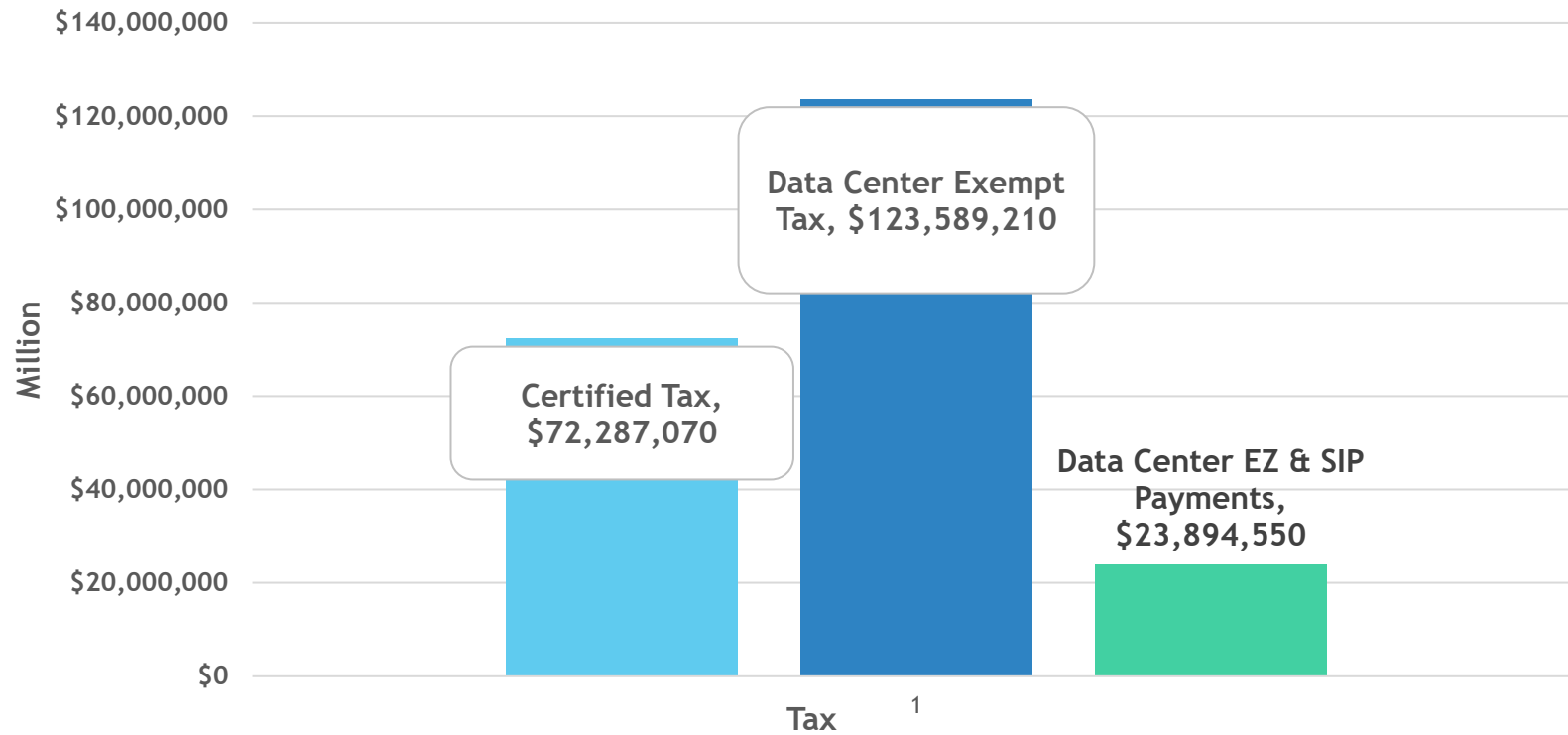
# Data Centers - Exempt Property Value - Morrow County

2025 Certified Tax Value vs Data Center Exempt Value Morrow County



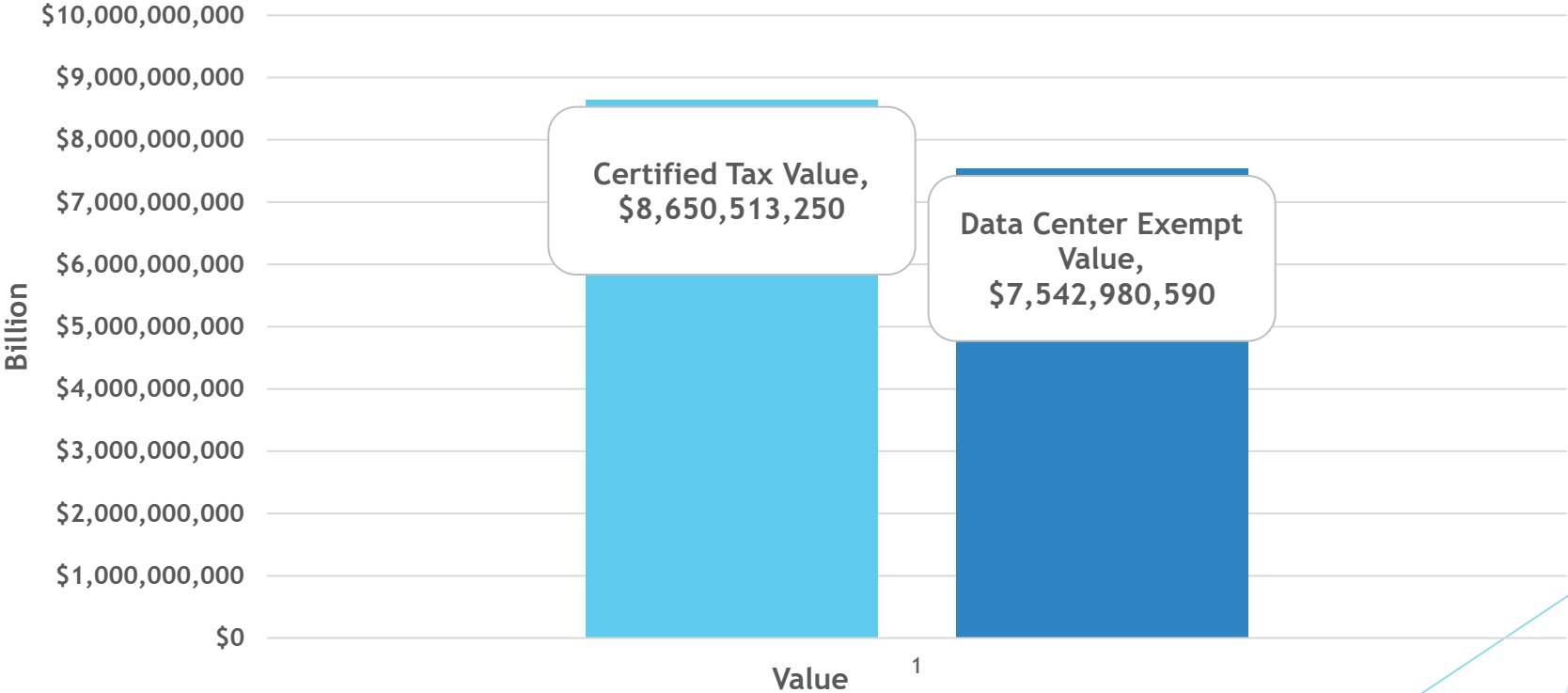
# Data Centers - Property Tax Payments- Morrow County

## 2025 Certified Tax vs Data Center Exempt Tax Morrow County



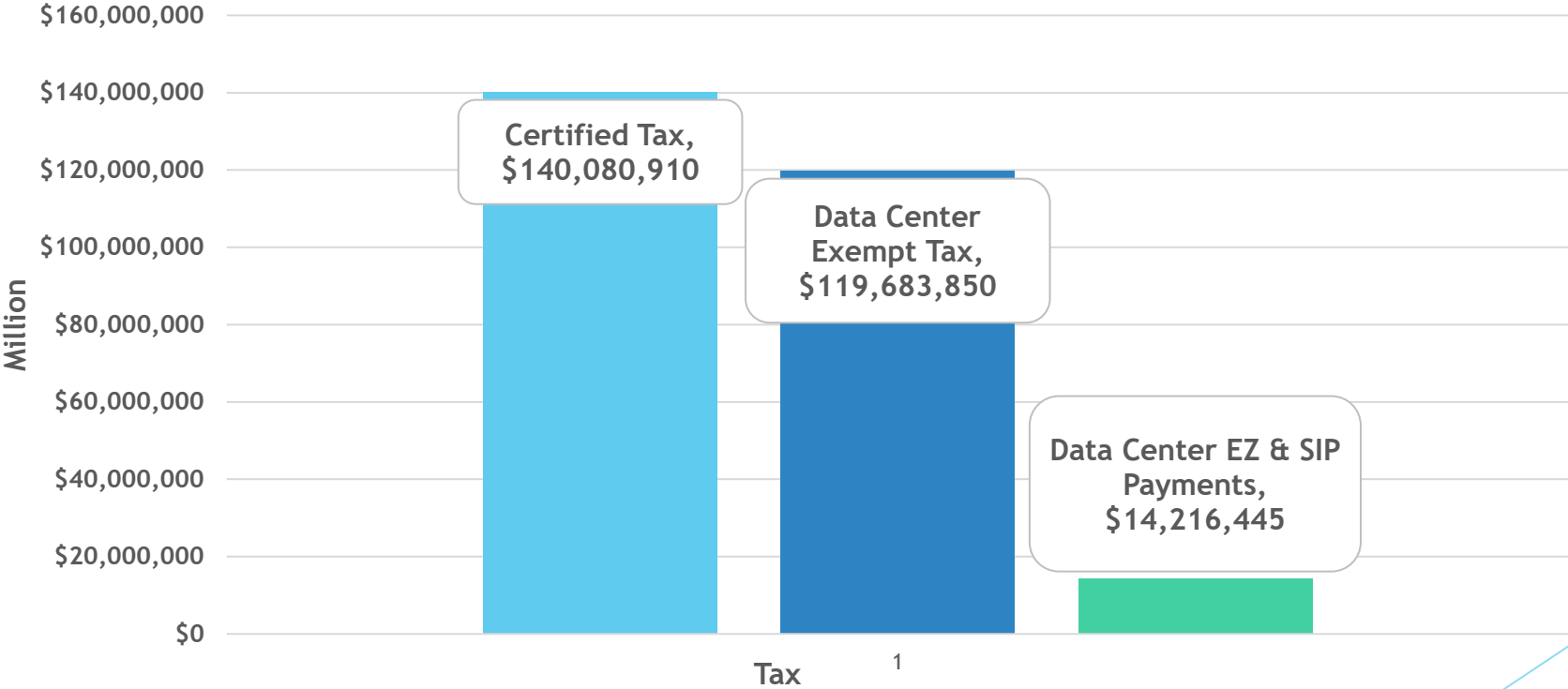
# Data Centers - Exempt Property Value - Umatilla County

2025 Certified Tax Value vs Data Center Exempt Value Umatilla County



# Data Centers - Property Tax Payments - Umatilla County

2025 Certified Tax vs Data Center Exempt Tax Umatilla County



# Data Centers in General

- ▶ Data center valuation has been difficult to administer compared to other industries.
- ▶ Property tax incentives are very time and resource consuming with little or no financial return to taxing districts during the exemption period.

# Property Tax Incentive Administration

## - County Obligations

### ▶ Education and Training:

- ▶ Ongoing training provided for tax and corporate representatives, answering complex compliance questions and educating new people.

### ▶ Compliance Management:

- ▶ Review EZ submissions, issue notices for incomplete applications, and prepare reports for Business Oregon. Each step requires careful review to ensure compliance with statutory and program requirements.

### ▶ EZ/SIP Monitoring:

- ▶ Track construction in process (CIP), completed investments, and add new value to the tax roll. Enforce claw-back provisions for back taxes in the event an asset is retired before the end of its EZ term or failure to meet statutory employment requirements.

# Property Tax Incentive Administration

## - County Obligations Continued

### ▶ Site Tours:

- ▶ Review major changes at participating companies

### ▶ Public Information Requests:

- ▶ Research, compile, and validate detailed program data before release, ensuring accuracy and compliance with confidentiality restrictions.

### ▶ Legislation Review:

- ▶ Ongoing revisions to EZ statutes and regulations require careful evaluation and research by county staff, with feedback, to ensure changes are statutorily compliant and can be administered given current staffing and budget constraints.

# Property Tax Incentive Administration

## - County Obligations Continued

### ▶ Appeals Management:

- ▶ Prepare appraisal reports and provide expert witness testimony to defend County valuations at the Property Values Appeals Board and the Oregon Tax Court. This requires extensive research and collaboration with plaintiffs, county counsel, internal staff, and expert witnesses.

# Data Centers

- ▶ Thank you on behalf of the Oregon State Assessors and Tax Collectors Association for the opportunity to present to you today.