

Oregon Enterprise Zones

Electronic Commerce Zones

Several of Oregon's nearly 70 enterprise zones have received special status to further encourage electronic commerce or "e-commerce" investments.

"Electronic commerce" is defined as engaging predominantly in transactions via the internet or an internet-based computer platform. These transactions can include taking orders, closing sales, making purchases, providing customer service or undertaking other activities that serve the business's overall purpose, even if retail in nature.

A significant feature of these designations is that qualifying businesses may receive a credit against the business's annual state income or corporate excise tax liability.

State Income Tax Credit

The credit equals 25 percent of the investment cost made in capital assets used in electronic-commerce operations inside that enterprise zone. To make the investment means to have incurred the financial liability or commitment for the asset in that income tax year. Capital assets are property used in the business, the cost of which may be depreciated for federal income tax purposes, even if the assets end up being expensed. (Use of this credit does not affect the deduction or basis of such expenses or assets.) The annual maximum credit amount is \$2 million per year. Unused tax credit amounts may be carried forward over the next five years. The credit is claimed directly on corporate or individual tax returns, and while there is no additional form required, the taxpayer must maintain records of purchased assets and other relevant information, such as timely qualification for the property tax abatement on assets that also qualify for it, but otherwise, such qualified property and what is used for the income tax credit do not need to correspond entirely.

To obtain this state tax credit, the business's e-commerce investment (in terms of incurring the cost or financial liability) needs to be made between the income tax year when application is made for local enterprise zone authorization and the one beginning before the end of the

three- to five-year period of the standard exemption from local property taxes. This tax credit sunsets by law, such that the business also must make the investment no later than in its income tax year that begins during 2017.

Local Property Tax Abatement

In an e-commerce enterprise zone, "being engaged in electronic commerce" is itself an eligible activity for the standard property tax abatement. Although, such an operation would likely qualify in any enterprise zone for other reasons—for example, by satisfying the definition of an eligible administrative or call center.

In a designated e-commerce area, however, the newly installed personal property, machinery and equipment that qualifies for exemption is more broadly defined. Usually, such property that costs less than \$50,000 per item qualifies only if used in the production of tangible goods. In the case of an e-commerce enterprise zone or city, using it for electronic commerce alone suffices for the exemption. The exemption does not cover any personal property item costing less than \$1,000 or any vehicle, and all other enterprise zone criteria and procedures apply.

Qualified new investments also will include those for operations that support or ensue from the e-commerce activity—for example, shipping and storage facilities to fulfill orders mostly arising from e-commerce.

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