



SCHOOL BOARD MEETING REPORT

Board Meeting Date: 18-Oct-16 **Agenda #** _____
Staff/Administrator: Lisa Cross **Superintendent:** Dave Valenzuela
Type of Item: *Informational* *Action*

Please state your proposal briefly and clearly. What do you want the board to know, discuss, or decide?

The Oregon Department of Revenue increases the allowable rate for Construction Excise Tax annually. Would the Board like to propose changes to the current Intergovernmental Agreement? There are 3 choices:

- 1) Leave the rate at the original 2009-2010 collection rate currently being charged; \$1.00 psf residential, and \$.50 psf non-residential.
 - 2) Pass a resolution to increase the rate to the 2016-17 limit of \$1.23 psf residential, and \$.61 psf non-residential.
 - 3) Pass a resolution stating that for years beginning after June 30, 2016 the tax rates shall be adjusted for changes in School Construction Tax Limits, issued by the Oregon Department of Revenue.
- * If 2 or 3 are chosen, I will coordinate implementation dates with any increases District 7 approves.

Provide history/background information on your proposal.

Passed in 2007, SB 1036 allowed school districts to impose a tax on new construction measured by the square footage of improvements at a rate of \$1.00 psf for residential and \$.50 psf for non-residential buildings. The maximum allowable rates as of 6/30/16, defined by the Oregon Dept of Revenue, are \$1.23 psf for residential and \$.61 psf for non-residential. The District is currently charging the original 2009-10 rate.

List the advantages of your proposal:

Passing a resolution to increase the Construction Excise Tax will increase revenues for critical capital improvements (see example below). Passing a resolution to adjust the rate according to the Department of Revenue eliminates the need to address this notification annually.

List possible disadvantages of your proposal:

There is a larger burden for the tax payer / builder.

List possible alternatives that could also offer a solution to your proposal. Why were they not recommended?

Superintendent's recommendation(s):

Approve: Yes No



Oregon

Kate Brown, Governor

Department of Revenue
955 Center St NE
Salem, OR 97301-2555
www.oregon.gov/dor

Issue: Indexing of School Construction Tax Limits

Statute Reference: ORS 320.170

Last Updated: June 30, 2016

Background:

Passed in 2007, SB 1036 allowed school districts to impose a tax on new construction measured by the square footage of improvements (affordable housing, public buildings, agricultural buildings, hospitals, private schools, and religious facilities are exempt). SB 1036 defined and required revenues to be used for capital improvements. Construction taxes imposed by a school district must be collected by a local government, local service district, special government body, state agency or state official that issues a permit for structural improvements regulated by the state building code. An intergovernmental agreement with local governments collecting the tax is required and collection expenses are limited to 4% of tax revenue. DCBS is allowed to establish an administration fee of .25% of tax revenue. School districts with construction tax revenue are required to develop long-term facility plans. Construction taxes may be used for repayment of capital improvement debt.

Tax Limit Calculations:

SB 1036 set tax rate limits of \$1 per square foot for residential use and \$0.50 for nonresidential use, along with a \$25,000 tax limit on nonresidential properties. Beginning in 2009, tax rates were indexed to inflation using the Engineering News-Record Construction Cost Index. As prescribed in statute, DOR is responsible for updating tax rate limits and notifying affected districts. To notify affected districts DOR has partnered with Department of Education who receives updated limit calculations from DOR and notifies the affected districts.

Tax rate limits by fiscal year:

Fiscal Year	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Residential*	1.07	1.11	1.14	1.17	1.20	1.23	1.26
Non-Residential*	0.54	0.55	0.57	0.58	0.60	0.61	0.63
Non-Residential Max	26,800	27,700	28,400	29,200	29,900	30,700	31,400

* Dollars per square foot

Construction Excise Tax Increase Estimates

Individual Project Comparison			
Residential Use		2009-10 Current Rate	2016-17 Rate
		\$ 1.00	1.23
* Average Home Value	\$ 230,000		
* Average Cost Per Square Foot	\$ 140		
Square footage of home	1,643		
	Calculated Excise Tax	\$ 1,643	\$ 2,021

* average value and cost obtained from Realtor.com website for Josephine County

Collection Estimates			
Residential Use	2014-15 TRSD Rate	2015-16 TRSD Rate	2016-17 DOR Rate
	\$ 1.00	\$ 1.00	\$ 1.23
Actual CET collected	\$ 241,024	\$ 256,031	\$ 314,918
Square footage collected on	241,024	256,031	256,031 *
		(* using FY16 collection)	
Estimated additional collections with CET increase			\$ 58,887