

**CONSENT AGENDA****CONSTRUCTION EXCISE TAX INCREASE****SUMMARY**

Oregon school districts may impose construction excise taxes to fund capital improvements to school facilities. The tax rate limits that are set by the state are indexed to inflation and increase each year. The board is recommended to approve a corresponding annual rate change.

**BACKGROUND**

Chapter 829, Oregon Laws 2007 (Senate Bill 1036), authorizes school districts, as defined in ORS 330.005, to impose construction excise taxes to fund capital improvements to school facilities.

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.

SB 1036 set tax rate limits of \$1.00 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, the Oregon Department of Revenue (DOR) is responsible for updating tax rate limits and notifying affected districts. To notify affected districts DOR has partnered with the Department of Education which receives updated limit calculations from DOR and notifies the affected districts.

An intergovernmental agreement with local governments collecting the tax is required and collection expenses are limited to 4% of tax revenue. Department of Consumer and Business Services 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.

The DOR has updated tax rate limits for 2025-26 as follows:

	<u>2024-25</u>	<u>2025-26</u>
Residential	\$1.63	\$1.67
Non-Residential	\$0.82	\$0.84
*Non-Residential Max	\$40,800	\$41,800

\*(not to exceed per building permit or per structure, whichever is less)

**Belong. Believe. Achieve.**

Beaverton School District's jurisdiction includes properties located within the cities of Beaverton, Tigard, Hillsboro and Portland, as well as properties within unincorporated portions of Washington and Multnomah counties.

**RECOMMENDATION**

It is recommended that the school board approve increasing the construction excise tax and amending the intergovernmental agreements with Washington County, City of Beaverton, City of Tigard, City of Hillsboro and City of Portland to impose and collect the increased tax rates.

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Beaverton School District School Board Chair

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Date