

Agenda Item #_____

SUBMITTED BY: Sharie Lewis, CPA	(✓)	DATE 7/8/24
APPROVED BY: Building Administrator	()	
Superintendent Michael Lopes-Serrao	()	
Director of Business Services Sharie Lewis, CPA	(X)	

TOPIC: RESOLUTION TO INCREASE A CONSTRUCTION EXCISE TAX

PURPOSE OF AGENDA ITEM: [Why are you asking for Board review]:

Information **Policy Change** **Action/Approval** X **Presentation/Special Request**

BACKGROUND: Attachments: Y X N LIST: DOR MEMO

RATIONALE/DISCUSSION:**FINANCIAL IMPLICATIONS:**

Senate Bill 1036 states that the construction excise tax may not be imposed unless the school district develops a long-term facilities plan for making capital improvements, and the School Board adopts the plan by resolution. Parkrose School District is in compliance with this requirement

Secondly, the District must impose the Construction Excise Tax. This was completed and now Parkrose School District can modify the amount imposed.

Thirdly, the District adopts, through board resolution, an Intergovernmental Agreement with the collecting agency after that agency has adopted the same Agreement. That IGA was adopted December 2007 by City of Portland and Parkrose School District.

After those resolutions were completed, then the tax rates were enacted. Parkrose School District imposed the following tax rates for the 2019-20 thru 2023-24 and is proposing to increase it for 2024-25 by \$.07 and \$.04 for 2025-26 for residential and \$.04 for 2024-25 & \$.02 for 2025-26 for non-residential property. See the chart below for the last 5 years of rates imposed and proposed next two years:

			2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Residential *			\$1.35	\$1.39	\$1.41	\$1.45	\$1.56	\$1.63	\$1.67
Non-Residential *			\$0.67	\$0.69	\$0.70	\$0.72	\$0.78	\$0.82	\$0.84
Non-Residential Max			\$33,700	\$34,600	\$35,200	\$36,100	\$39,100	\$40,800	\$41,800
* Dollars per square foot per Dpt of Revenue Ltr 7/2/24									

This request for board approval will have an effective date of **August 2024 & August 2025**. City of Portland staff requires at least 30 days implementing this change.

RELATION TO GOALS:

Senate Bill 1036 allows school districts, by resolution adopted by the School Board, to impose construction excise taxes through intergovernmental agreements with other local governments. These taxes imposed will create funds available for improvement of Parkrose School District facilities.

ACTION REQUESTED:

Hereby resolved; Board of Directors of Parkrose School District enacts to increase a construction excise tax to be imposed only on improvements to real property that result in a new structure or additional square footage in an existing structure at a rate of:

For fiscal year 2024-25 & 2025-26:

One dollar and sixty-three cents (\$1.63) – 2024-25 and one dollar and sixty-seven cents (\$1.67) - 2025-26 and per square foot on structures or portions of structures intended for residential use, including but not limited to single-unit or multiple-unit housing.

Eighty-two cents (\$0.82) – 2024-25 and eighty-four cents (\$.84) – 2025-26 per square foot on structures or portions of structures intended for non-residential use, not including multiple-unit housing of any kind.

In addition to the limitations under this resolution, a construction tax imposed on structures intended for non-residential use may not exceed \$40,800 - 2024-25 and \$41,800 – 2025-26 per building permit or \$40,800 and \$41,800 per structure, whichever is less.

For years beginning on or after June 30, 2009, the limitations under this resolution shall be adjusted for changes in construction costs by multiplying the limitations set forth by the ratio of the average monthly construction cost index for the 12-month period ending June 30 of the preceding calendar year over the average monthly construction cost index for the 12-month period ending June 30, 2008.

The adjusted limitations under this section and shall be pursuant to the report of the construction cost index published by the Oregon Department of Revenue. As used in this section, the “construction cost index” means the Engineering News-Record Construction Cost Index, or a similar nationally recognized index of construction costs identified by the department by rule.

Construction taxes shall be paid by the person undertaking the construction at the time that a permit authorizing the construction is issued.

The construction excise taxes shall not be imposed on the following:

- Private school improvements.

Public improvements as defined in ORS 279A.010.

Residential housing that is guaranteed to be affordable, under guidelines established by the United States Department of Housing and Urban Development, to households that earn no more than 80 percent of the median household income for the area in which the construction tax is imposed, for a period of at least 60 years following the date of construction of the residential housing.

- Public or private hospital improvements.

Improvements to religious facilities primarily used for worship or education associated with worship.

Agricultural buildings, as defined in ORS 455.315(2) (a).

Improvements to real property that result in a new structure or additional square feet totaling 1,000 square feet or less.

After deducting the costs of administering a construction tax and payment of refunds of such taxes, pursuant to intergovernmental agreement with collecting agencies, the District shall use net revenues only for capital improvements.

As used in this, "capital improvements" means:

The acquisition of land;

The construction, reconstruction or improvement of school facilities;

The acquisition of installation of equipment, furnishings or other tangible property;

The expenditure of funds for architectural, engineering, legal or similar costs related to capital improvements and any other expenditures for assets that have a useful life of more than one year; or

The payment of obligations and related costs of issuance that are issued to finance or refinance capital improvements.

It does not include operating costs or costs of routine maintenance.

The school district may pledge construction taxes to the payment of obligations issued to finance or refinance capital improvements as defined herein.

This resolution takes effect on July 9, 2024.

Date

Chairperson, Board of Directors

Attest:

Michael Lopes-Serrao
Superintendent/Clerk

Attached: Oregon Department of Revenue letter dated 7/2/24

ATTACHMENT – OREGON DEPARTMENT OF REVENUE LETTER 7/2/24

Issue: Indexing of School Construction Tax Limits

Statute Reference: ORS 320.170

Last Updated: 7/2/2024

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	2022-23	2023-24	2024-25	2025-26
Residential*	1.45	1.56	1.63	1.67
Non-Residential*	0.72	0.78	0.82	0.84
Non-Residential Max	36,100	39,100	40,800	41,800
* Dollars per square foot				