
CONSTRUCTION EXCISE TAX INCREASE

POLICY ISSUE / SITUATION:

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.

BACKGROUND INFORMATION:

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 Department of Education who receives updated limit calculations from DOR and notifies affected districts.

The DOR has updated tax rate limits which have been set at \$1.07 per square foot on residential construction and \$0.54 per square foot for non-residential construction, not to exceed \$26,800 per building permit or \$26,800 per structure, whichever is less.

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:

(11-100) 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.