

## School Construction Excise Tax

### **What is the School Construction Excise Tax?**

The Oregon Legislature passed a law (SB 1036) that provides a financial tool to help school districts pay for a portion of the cost for new or expanded facilities needed due to growth in the community. The law authorizes a school district, in cooperation with cities and counties, to tax new residential and non-residential development. Specifically, the tax applies to improvements to real property that result in a new structure or additional square footage in an existing structure.

### **What does the tax pay for?**

The excise tax revenue could be used for capital improvements such as acquiring property, construction of facilities, related architect and engineering expenses, and for additional fixtures, furnishings and equipment. The excise tax revenue allows the district to purchase and prepare sites for future school facilities, and/or to help defray the cost of new school facilities.

### **Who has to pay and when?**

The tax is required to be paid by the developer or property owner who is developing property in the participating school district at the time they wish to have a permit issued. A permit will not be issued unless the tax is paid or a district approved exemption is submitted on the Exemption Form.

### **Who is exempt from paying the tax?**

The following are exempt from the Construction Excise Tax: (1) Private school improvements; (2) Public improvements as defined in ORS 279A.010; (3) 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% 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 residential housing); (4) Public or private hospital improvements; (5) Improvements to religious facilities primarily used for worship or education associated with worship; (6) Agricultural buildings, as defined in ORS 455.315. (2) (a) .

### **How much is the tax?**

**Gresham Barlow:** The tax is \$1 per square foot on residential construction and 50 cents per square foot on non-residential construction. For non-residential construction only, the excise tax is limited to \$25,000 per building permit or \$25,000 per structure, whichever is less.

**Centennial:** The tax is \$1.41 per square foot on residential construction and 70 cents per square foot on non-residential construction. For non-residential construction only, the excise tax is limited to \$35,200 per building permit or \$35,200 per structure, whichever is less.

**Reynolds:** The tax is \$1.41 per square foot on residential construction and 70 cents per square foot on non-residential construction. For non-residential construction only, the excise tax is limited to \$35,200 per building permit or \$35,200 per structure, whichever is less.