



Oregon SB 1036 Construction Excise Tax

A new tool to assist schools in growing communities

The Oregon Legislature passed Senate Bill 1036 to help growing school districts, such as Newberg, pay for a portion of the cost for new or expanded facilities needed to accommodate growth.

Senate Bill 1036 allows school districts, in cooperation with cities and counties, to tax new residential and non-residential construction. This excise tax option was created with bipartisan support by the Oregon Legislature. Agencies and groups supporting it include the Oregon Home Builders Association, the Oregon PTA and the Oregon School Boards Association.

The revenue generated from SB 1036 alone will not raise sufficient revenue to cover the cost of new or expanded schools; voter approved bonds are still necessary. However, every dollar collected from new construction may be one less dollar taxpayers will have to pay in a bond measure.

What can school districts spend the money on?

School districts may only spend construction excise tax revenue on capital improvements, including:

- Land acquisition
- Construction, reconstruction or improvement of school facilities
- Costs to purchase and install equipment and furnishings or other tangible property that has a useful life of more than one year
- Architectural, engineering, legal or similar costs related to capital improvements

School districts may NOT spend construction excise tax funds on operating costs or costs of routine maintenance.

How much money may be collected?

The total amount a school district may collect will vary based on the amount and type of new construction in the school. School districts may collect a maximum of:

- \$1 per square foot of new residential construction
- 50¢ per square foot of new on-residential construction (subject to a cap of \$25,000 per non-residential project)

If 100 new 2,500 square foot houses, 30 new 1,000 square foot apartments and three commercial or industrial projects that range in size from 10,000 to 50,000 square feet are built in a school district each year, the district could receive \$325,000 annually or \$3,250,000 over a ten-year period.

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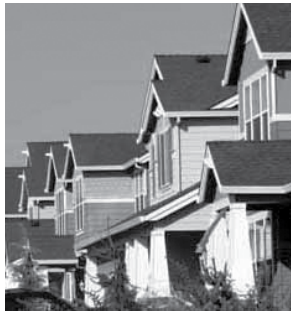
Is all development subject to the tax?

No. The law exempts private schools, public improvements (schools, libraries, fire stations, etc.), affordable housing, hospitals, religious facilities, agricultural structures and limited developments on environmentally contaminated sites (brownfields.)

What is required to implement a construction excise tax?

In order to impose a construction excise tax, school districts are required to:

- Adopt a long-term capital facility plan
- Enter into an intergovernmental agreement with local cities and counties that will oversee collection and disbursement of the construction excise tax.
- Adopt a resolution establishing the amount and terms of the tax



How are construction excise taxes collected?

The tax is collected by the city or county and is paid by the person undertaking the construction at the time a building permit is issued. Under an intergovernmental agreement, the city or county collecting the construction excise tax passes the funds through to the local school district. The city or county cannot charge more than one percent of the amount collected as an administrative fee.

Contact information

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