

Board Information Summary

Construction Excise Tax Rate Recommendation

Background

The Molalla River School District currently assesses Construction Excise Tax (CET) at rates of **\$1.35 per residential square foot** and **\$0.50 per commercial square foot**. These rates have remained unchanged for several years, while many neighboring school districts have increased their CET rates.

Construction Excise Tax revenue is a dedicated local funding source that may only be used for eligible capital expenditures, including facility improvements, land acquisition, technology infrastructure, and debt service associated with capital projects. These revenues cannot be used for general operating expenses.

Financial Impact

Based on annualized FY 2025-26 construction activity, increasing the rates to **\$1.70 per residential square foot** and **\$0.85 per commercial square foot** is estimated to generate approximately **\$42,000** in additional annual revenue compared to the current rates.

Actual annual collections will vary based on future construction activity, permit volume, and the mix of residential and commercial development.

Considerations

- The proposed rates remain within Oregon's statutory maximum Construction Excise Tax limits.
- The increase would apply only to eligible new construction subject to the tax.
- Construction Excise Tax provides one of the district's few dedicated local revenue sources for capital investments.
- Additional revenue can help address future facility, technology, and infrastructure needs while reducing reliance on other capital funding sources.

Staff Recommendation

Staff recommends adopting Construction Excise Tax rates of **\$1.70 per residential square foot** and **\$0.85 per commercial square foot**, effective upon Board approval. The proposed adjustment represents a measured increase that strengthens the district's long-term capital funding while remaining within the limits established by Oregon law.