Issue: Indexing of School Construction Tax Limits
Statute Reference: ORS 320.170
Last Updated: 7/14/2025

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	**2023-24**	**2024-25**	**2025-26**	**2026-27**
Residential*	1.56	1.63	1.67	1.70
Non-Residential*	0.78	0.82	0.84	0.85
Non-Residential Max	39,100	40,800	41,800	42,400
* Dollars per square foot				