REVENUE OPTIONS
Summary of Subcommittee Discussion, Feb. 4, 1992

AD VALOREM TAX
Meek--Limit use to current level, except for voter approval for bonding.
Phelps--Wants discussion with counsel on the ad valorem tax as a constitutional opportunity exclusively, and that it always requires a vote of the people.
Action--Return for further discussion.

BUSINESS LICENSE FEE
Action--Broad grant of taxing authority.

EXCISE TAXES
Meek--Set a rate limitation on Metro's ability to impose an excise tax on individual revenue sources.
Phelps--Prohibit use of video rental and video poker excise taxes.
Action--Most excise taxes would be permitted without a vote of the people. Return for further discussion on above points.

EXCISE TAX ON GROSS VALUE OF CONSTRUCTION OR ON THE GROSS FLOOR AREA OF CONSTRUCTION.
Meek--Prohibit tax.
Phelps--At least require a vote of the people.
Action--Return for further discussion.

VEHICLE REGISTRATION FEE
Phelps--Question counsel about the practical effect of Metro using it, since Metro doesn't do highway maintenance. Can the fee be used for planning?
Action--Return for further discussion.

PAYROLL TAX
Phelps--If Tri-Met is taken over, payroll tax would move with it. Any addition would require a vote of the people.
Egge--Exclusively reserve the payroll tax to Tri-Met.
Meek--Prohibit if another source for funding Tri-Met is found.
Action--Return for further discussion on whether a payroll tax, for functions other than what Tri-Met uses at the present rate, ought to be prohibited or allowed only with a vote of the people.

PERSONAL INCOME TAX
Phelps--Metro can impose by ordinance.
Egge & Meek--Prohibit a personal income tax.
Myllenbeck & Shoemaker--Require a vote of the people.
Action--Return for further discussion.

BUSINESS INCOME TAX
Egge & Meek--Prohibit.
Action--Return for further discussion.

SALES TAX
Action--Can be authorized by a vote of the people.

- Craft charter that works
- should be empowering enabling
- what's more difficult than a vote
- specify public process
- could be a 2 step process

SPECIAL ASSESSMENTS
Phelps--Wants counsel opinion as to whether economic improvement district would be subject to Ballot Measure 5 restrictions.
Action--Metro would have a general grant of authority, but it would be limited to the costs of installation and wouldn't exceed the benefit received by the property.

TAX INCREMENT FINANCING
Action--General grant of authority, without specifying individual types of increment financing.

USER FEES AND SERVICE CHARGES
Action--General grant of authority.

SYSTEM DEVELOPMENT CHARGE
Egge--Limit to funding Metro functions.
Phelps, Shoemaker & Myllenbeck--General grant of authority.
Meek--Prohibit.
Action--Return for further discussion.

IMPACT FEE
Action--Include with debate on system development charge.

DEVELOPER EXACTIONS
Action--Include with debate on system development charge and impact fee.

TRANSFERS FROM THE STATE
Action--Should not be discussed in the charter.

FRANCHISE FEES
Egge--Include franchise fees for off-street parking.
Phelps--Charter may need to authorize it, in order to insulate Metro from changes in statute.
Shoemaker & Egge--Be specific in allowing franchise authority.
Cooper--Believes that a broad grant of taxing authority is sufficient to allow franchising power.
Action--Return for further discussion.

TIMBER REVENUES
Action--Should not be discussed in the charter.

PAYMENTS IN LIEU OF PROPERTY TAXES
Action--Should not be discussed in the charter.

GRANTS
Action--General grant of authority.

REVENUE SHARING (EQUALIZATION) SCHEMES
Cooper--Charter isn't sufficient to enable it. Would require legislation.
Action--Return for further discussion.
Note: *The equalization schemes offered to the subcommittee had to do with revenue distribution to different jurisdictions, however, the subcommittee discussion centered, for the most part, around the revenue being used by Metro. This led to confusion whether an actual metropolitan tax needed to be "equalized."*

date?

REVENUE OPTIONS

PROPERTY TAXES
Authority: Cities, counties, county service districts, school districts, Metro (268.500), special districts.
Obstacles: Voter approval required. Limits of Ballot Measure 5.

BUSINESS LICENSE FEE
Authority: Cities and home rule counties.
Note: Metro administers a contractors' and builders' license fee program for cities in the region, Portland exempted. Metro only retains administrative costs for the program (701.015).

BUSINESS INCOME TAX
Authority: Cities, home rule counties and Metro, with voter approval (268.505).
Note: Multnomah County levies 1.46%.

HOTEL/MOTEL ACCOMMODATIONS TAX
Authority: Cities and home rule counties.
Note: Multnomah County transfers 3% of its hotel/motel tax to MERC.

GASOLINE TAX
Authority: Cities and home rule counties.
Obstacles: Proceeds restricted to fund highway and road construction and maintenance.
Note: Multnomah County (at 3%) and Washington County (at 1%) are the only jurisdictions in the area to use the tax.

OTHER EXCISE TAXES
- Rental car: Used by Multnomah County at 10%.
- Entertainment admissions: Used by Metro, capped at 6% of gross revenues collected, and limited to Metro facilities. Could be added to movie theaters, night clubs.
- Prepared food
- New Construction
- Fuel oil
- Video rental
- Real estate transfer taxes: Used by Washington County at .1%. Statute moratorium (306.815) until 1994 prevents other jurisdictions from taking advantage of it.

VEHICLE REGISTRATION FEES
Authority: Counties, mass transit and transportation districts, and Metro (268.503, by voter approval).
Obstacles: Limited to highway and road use.

PAYROLL TAXES
Used by Tri-Met at .6%.

PERSONAL INCOME TAXES
Authority: Home rule charter and Metro (268.505, with voter approval).
Note: Not utilized by any jurisdiction other than the state.

SALES TAXES
Authority: Home rule charter
Note: Not used by state or local governments.

SPECIAL ASSESSMENTS

Local improvement districts: To fund infrastructure projects. Metro has authority by 268.460, but doesn't utilize.

Economic improvement districts: Cities authorized.

URBAN RENEWAL DISTRICTS

Authority: Cities and counties.

Obstacles: Vulnerable to variations in tax rate and Ballot Measure 5.

USER FEES AND SERVICE CHARGES

Authority: Municipal corporations.

Obstacles: Metro is limited to applying the fees to planning, construction and maintenance of its facilities (268.515). Metro also charges cities and counties for planning services, however, that provision sunsets in 1993 (268.513).

SYSTEM DEVELOPMENT CHARGES

Authority: Cities, counties, certain special districts, not Metro.

Note: Assessed against new properties to provide infrastructure needs.

Obstacles: Can only be used to fund capital improvements in connection with water, transportation, and parks and recreation. Can't be applied against schools.

IMPACT FEES

Charge to cover costs for added infrastructure needs, such as increased road use.

DEVELOPER EXACTIONS

Authority: Cities and counties

Developer payments to help defray infrastructure costs. Negotiated on a project-by-project basis.

TRANSFERS FROM THE STATE

Gasoline taxes: 24% shared with counties and 15.6% with cities. Must be spent on roads.

Cigarette taxes: About 15% shared with cities and counties.

Liquor taxes: About 45% distributed to cities and counties.

FRANCHISE FEES AND PRIVILEGE TAXES

Authority: Cities, on electric, natural gas, telephone and cable TV utilities, as well as on garbage collectors. Metro may adopt a franchise system for the disposal of solid and liquid waste (268.318).

TIMBER REVENUES

US Forest Service timber revenues: Go to 31 counties with timber sales.

O & C Lands: Distributed to 17 counties.

PAYMENTS IN LIEU OF PROPERTY TAXES

Private timber owners/timber severance taxes: Tax based on stumpage value of timber at harvest time.

Publicly owned electric utility and cooperatives tax

Operators of leased port property

Operators of rural telephone exchanges

GRANTS

Obstacles: Lack of resources from state and federal governments. Application preparation is costly. Creates an incentive to be needy.

CONSTRUCTION EXCISE TAX
From Montgomery County, Maryland

- Imposes an excise tax on persons who build or add to a building.
- Tax is based on the square feet of gross floor area, not on property value.
- Tax rates are lower on buildings owned by non-profit organizations compared to rates of those owned by businesses. Tax rates are also lower on multi-family housing as compared to single-family dwellings.

  Rates

Non-profit organization	$1/square foot
Retail, storage, industrial manufacturing or research	$2.40/square foot
All other non-resident	$4/square foot
Multi-family residential	$3/square foot
Single family residential	$3.75/square foot

- "Gross floor area" doesn't include unfinished basements, parking garages or areas, or heating and air-conditioning equipment.
- Exemptions are allowed for initial amounts of space in certain types of buildings. The tax does not apply to the first 1,200 square feet in any non-residential building, nor to the first 1,200 of each dwelling in a multi-family building.
- Government buildings and buildings used for religious activities are exempt from the tax.

SPECIAL FUNDING OPTIONS

SPECIAL ASSESSMENTS

Description: Levied on properties that are directly benefitted by infrastructure projects. Funding for these projects may be structures as pay-as-you-go or proceeds used to pay debt service on bonds.

Authority: ORS 268.465 enables Metro to establish special assessment districts.

Obstacles: Assessed property owners may resist.

LOCAL IMPROVEMENT DISTRICTS

Description: Form of special assessment districts. Used by cities (ORS 223.387) to fund infrastructure projects such as streets, sidewalks, water and sewer improvements, and neighborhood recreational facilities and equipment. Formulas for assessments on properties are usually based on frontage, square footage or combination of the two.

ECONOMIC IMPROVEMENT DISTRICTS

Description: Assessments on lots which are benefitted by development improvements. Projects include parking lot improvements, landscaping of public areas, or business promotional activities. May be levied for a maximum of 5 years, not to exceed 1% of the true cash value of the property in any year.

Authority: Cities.

Obstacles: Can't be levied against residential property. Subject to Ballot Measure 5 limitations.

TAX INCREMENT (URBAN RENEWAL DISTRICTS)

Description: Established to benefit "blighted" property conditions within an area of a community. Funds derived from the increase of property values in the district are reinvested to pay for infrastructure improvements in the district, further increasing the property values. Tax increment funds are often used to pay bonded indebtedness incurred at the formation of the districts.

Authority: Cities and counties (ORS Chapter 457 and Oregon Constitution Article IX, Section 1c).

Obstacles: Vulnerable to variations in tax rate. Subject to Ballot Measure 5 limitations.

OTHER FORMS OF TAX INCREMENT FINANCING

Hotel/motel taxes: Increases in proceeds. Being used to finance Curry County Convention Center project.

Sales taxes: Increases in proceeds. Used in Baltimore to fund its Convention Center.

Payroll taxes: Increases in payrolls due to business development.

REVENUE SHARING & TAX EQUALIZATION SCHEMES

Minneapolis\St.Paul

- Revenue redistribution to local communities within the regional area.
- Derived from 40% of commercial and industrial property tax base growth.
- Growth is determined by subtracting commercial-industrial (C-I) tax capacity for 1971 from the current C-I tax capacity.
- C-I property in place prior to 1971 is exempt.
- Revenue is redistributed based on local fiscal capacity, which is derived by dividing the value of real property in a city by the city's population and then comparing it with the average fiscal capacity of the metro area. Cities with below-average fiscal capcity receive a larger contribution from the pool.

Missouri

- Plan adopted by the legislature to distribute local general sales taxes to municipalities in two ways--"point-of-sale" and "pool."
- "Pool" jurisdictions--cities and unincorporated county areas--share sales tax proceeds on a per capita basis. All area incorporated since 1983 must be a "pool" city.
- The remaining jurisdictions are "point-of-sale" cities--currently 37. They are allowed to keep all sales tax proceeds generated with the cities' boundaries.
- The system creates inequities, such that the 1987 pool allocation was $71 per capita, however, one point-of-sale city received $2,800 per capita.
- From a county government perspective, any annexation or incorporation is a direct revenue loss.