



## **Affordable Housing Construction Excise Tax (CET) Frequently Asked Questions (FAQs)**

July 21, 2016

### **Q: What is the Affordable Housing Construction Excise Tax?**

A: Effective August 1, 2016, the City of Portland is collecting a tax on residential and commercial building projects with improvements valued at \$100,000 or more. The tax is calculated as 1% of the permit valuation. The Portland Housing Bureau proposed the tax to help fund affordable housing programs and Portland City Council approved it in June, 2016.

### **Q: What does this tax pay for?**

A: The tax pays for affordable housing programs, including:

- Production and preservation of housing for people with incomes at or below 60% of median family incomes (MFI) in the Portland metro area.
- Developer incentives for inclusionary zoning.
- State of Oregon homeownership programs.

### **Q: Why is this tax needed?**

A: Affordable housing, inclusionary housing, and potential construction excise taxes were a significant policy issues leading up to and during the 2016 state legislative session. After significant discussion, numerous hearings, and extensive outreach by community organizations, industry representatives, and local jurisdictions, the State legislature passed a compromise bill authorizing the development of a mandatory inclusionary zoning program and a local construction excise tax for affordable housing. The adoption of a Portland construction excise tax is the first step in implementing various policies and programs agreed to and authorized during the 2016 State legislative session.

### **Q: Who has to pay this tax? Am I exempt from paying the tax?**

A: The tax applies to construction permits on properties located within the City of Portland when the improvement value is \$100,000 or more. Exemptions are provided for the following:

- Improvements valued at less than \$100,000
- Accessory dwelling units (through July 30, 2018)
- Affordable housing for people at or below 80% median family incomes (MFI)

- Private school improvements
- Public improvements
- Public or private hospital improvements
- Improvements to religious facilities
- Agricultural buildings
- Certain not-for-profit care facilities

To demonstrate that a project is exempt from this CET an Affordable Housing Construction Excise Tax Exemption Form must be completed, signed and submitted with your building permit application identifying what exemptions are applicable to the project.

**Q: What is Phase 2 of the tax implementation?**

A: Implementation of the construction excise tax on Facility Permit Program commercial alterations and mobile home park permits will be effective on October 31, 2016. These permit types account for approximately 2% of all projects subject to the Affordable Housing CET. This phased approach is necessary to allow for CET fee calculation software programming to be completed.

**Q: Who can I contact for assistance?**

A: For questions about what the tax pays for: Martha Calhoon, Portland Housing Bureau, [Martha.calhoon@portlandoregon.gov](mailto:Martha.calhoon@portlandoregon.gov), or 503-823-3239.

For questions about how the tax is calculated, or about exemptions: Elshad Hajiyev, Bureau of Development Services, [Elshad.Hajiyev@portlandoregon.gov](mailto:Elshad.Hajiyev@portlandoregon.gov), or 503-823-7323.