

**City of Salem**  
**Revenue Task Force**

**Packet 3:**  
**Detail on Revenue Options**

DRAFT



# WHAT OPTIONS DOES THE CITY HAVE TO GENERATE NEW REVENUE?

## ALL OPTIONS IDENTIFIED

Oregon state law limits the type and amount of revenues that local governments can impose. Within this context, the City has identified over 40 potential revenue options. This list of options contains considerable diversity in structure, revenue capacity, feasibility, precedence, administrative effort, timeliness, economic implications, impacts on equity and sustainability goals, and other potential considerations and impacts. An analysis of each of these identified options is contained in the next section of this document.

The current revenue options identified are:

1. Admissions/Entertainment Tax	Page 9
2. Bicycle Registration Fee	Page 10
3. Business Gross Tax Receipts	Page 11
4. Business License Fees	Page 13
5. Carbon Tax (likely takes the form of a Local Gas Tax)	Page 15
6. Construction Excise Tax	Page 16
7. Corporate Income Tax	Page 18
8. Electric Vehicle Charging Station Permit Fees	Page 19
9. First Responder Fee	Page 20
10. Franchise Fee Increase	Page 21
11. Heavy Vehicle Tax (only for Transportation Services Fund)	Page 22
12. Higher/New Fees for Services	Page 23
13. Land Value Tax	Page 24
14. Local Gas Tax (only for Transportation Services Fund)	Page 25
15. Local Marijuana Tax Increase	Page 26
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17. Luxury Tax	Page 28
18. Motor Vehicle Rental Tax	Page 29
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20. Parking Tax Increase	Page 31
21. Payment in Lieu of Taxes (from the State Government)	Page 32
22. Payroll Tax (Employee-Paid)	Page 33
23. Payroll Tax (Employer-Paid)	Page 33
24. Payroll Tax (Jointly Paid)	Page 33
25. Personal Income Tax	Page 34
26. Photo Red Light Cameras and/or Photo Speeding Cameras	Page 35
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28. Property Tax on Vehicles	Page 38
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32. Sales Tax: General	Page 42
33. Sales Tax: Selective (includes any “Sin Taxes”)	Page 43
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35. Special District(s) Formation	Page 45
36. Street Lighting District	Page 46
37. Sweetened Beverages Distributor Tax	Page 47
38. Tolls on Marion Street or Center Street Bridges	Page 48
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40. Urban Renewal - Increase Frozen Base	Page 50
41. Vacancy Tax (Empty Dwelling Fee)	Page 51

## **USING THIS DOCUMENT**

This document summarizes the current knowledge that staff and consultants have on each of the currently identified revenue options. First, an overview of all identified revenue options is presented. Then, each of the identified revenue options are presented in further depth.

Task Force members should use this document to:

- Gain a general understanding of the breadth of revenue options available to the City
- Learn about the constraints and potential impacts of available revenue options
- And begin to formulate ideas and questions on potential revenue options for staff and consultants

## **THE LIMITATIONS OF POLICY CONSIDERATIONS**

Ultimately, it is the job of the Revenue Task Force to examine new revenue options and recommend to Council which revenue path(s) are the most appropriate for the City government and the Salem community. This mission consists of both weighing policy considerations and evaluating technical constraints.

- Policy considerations consist of the assessment and analysis of community priorities—deliberation on what revenue options and associated impacts best reflect the priorities, preferences, and interests of the Salem community. Although Council ultimately makes the City’s policy decisions, the Task Force has been convened to provide feedback and recommendations to help inform the Council’s policy decision.
- Technical constraints consist of the legal, financial, administrative, and logistic characteristics and limitations of revenue options. Each revenue option is associated with a unique set of laws, rules, risks, capacities to actually raise money, administrative burdens for the City, impacts on human behavior, and other factors that impact the feasibility and usefulness of each option. Not every



revenue option can meet the needs of the City and its residents. Not every potential revenue option has clear legal authority in Oregon.

The Task Force's recommendations will consider policy considerations, but these choices must be made within the confines of the technical constraints of each revenue option. The Task Force should not recommend a revenue option that is impossible or infeasible.

## SOURCES OF INFORMATION

The information contained in this document comes from three primary sources:

1. Original research from consultants, informed by City of Salem staff
2. City of Eugene staff research
3. City of Beaverton staff and consultant research

The research from all three sources is significant and thorough. However, please understand that the information contained in this document—particularly regarding revenue options without precedence in Oregon—represents the current knowledge of the individuals who performed this research. It is possible for this information to be updated as more research into revenue options is conducted.

## DIMENSIONS OF ANALYSIS

Each revenue option is presented through a number of dimensions of analysis. Once again, this knowledge represents the best information currently available for each dimension of investigation. These dimensions of analysis include:

- **Estimated Overall Viability:** Consultants' general opinion on the viability of each revenue option, derived from our best available knowledge of the option's legal authority, administrative complexity, and political complexity. The three categories are (1) More Viable, (2) Less Viable, and (3) Viability Requires a Change in State Law.
- **Estimated Revenue Potential:** A broad descriptor of the current understanding of the revenue potential for each revenue option. In some cases, specific figures are used (e.g., \$550,000). More often, however, general descriptions are given (e.g., High, Low). As the Revenue Task Force continues, more specific figures can be provided from additional tax modeling efforts.
- **Current Understanding of Legal Authority:** A description of the legal authority of the City to impose or collect such revenues. Importantly, this document has not been reviewed by a legal team. Understanding of legal authority may change upon further research.
- **Estimated Administrative Complexity:** A broad description of the current understanding of the effort and complexity involved in actually implementing and collecting the money from each revenue option. Some revenue options are significantly easier to collect than others.
- **Estimated Time to Implement:** An estimate of how long a given revenue option would take to implement. Some revenue options would have more rapid timelines than others.
- **Estimated Political Complexity:** A broad description of the current understanding of the degree to which each revenue option may be associated with political factors that may complicate its adoption or implementation.



# OVERVIEW OF ALL REVENUE OPTIONS

REVENUE TYPE	ESTIMATED OVERALL VIABILITY	ESTIMATED REVENUE POTENTIAL	CURRENT UNDERSTANDING OF LEGAL AUTHORITY	ESTIMATED ADMINISTRATIVE COMPLEXITY	ESTIMATED TIME TO IMPLEMENT	ESTIMATED POLITICAL COMPLEXITY
1. Admissions/ Entertainment Tax	Less Viable	Likely Low	Allowed	Medium-to-High	1-2 years	Low
2. Bicycle Registration Fee	Less Viable	Likely Very Low	Allowed	Medium	Unclear	Low
3. Business Gross Tax Receipts	More Viable	Likely High	Complex	High	2-5 years	High
4. Business License Fees	More Viable	Variable Depends on fee structure	Allowed	Depends on fee structure	1-2 years	Medium
5. Carbon Tax (Likely takes the form of a Local Gas Tax)	More Viable	Variable, depending on tax(es) chosen	Complex	Variable, depending on tax(es) chosen	1-2 years	Variable, depending on tax(es) chosen
6. Construction Excise Tax	More Viable	Currently Unknown	Allowed	Medium-to-High	1-2 years	High
7. Corporate Income Tax	Less Viable	High	Complex	Currently Unknown	2-5 years	High
8. Electric Vehicle Charging Station Permit Fee	Less Viable	Low	Likely allowed, but specific authority currently unknown	Currently Unknown	1-2 years	Low-to-Medium
9. First Responder Fee	Less Viable	Low Such fees are not designed to generate significant revenue	Allowed	Low-to-Medium	0-2 years	Low
10. Franchise Fee Increase	More Viable	Low-to-Medium	Allowed	Low	6 Months – 1 Year	Low-to-Medium



REVENUE TYPE	ESTIMATED OVERALL VIABILITY	ESTIMATED REVENUE POTENTIAL	CURRENT UNDERSTANDING OF LEGAL AUTHORITY	ESTIMATED ADMINISTRATIVE COMPLEXITY	ESTIMATED TIME TO IMPLEMENT	ESTIMATED POLITICAL COMPLEXITY
11. Heavy Vehicle Tax (only for Transportation Services Fund)	More Viable	Currently Unknown	Allowed	High	1-2 Years	Medium
12. Higher/New Fees for Services	More Viable	Low Fees are not designed to generate significant revenue	Allowed	Low-to-Medium	Depends on complexity of fees and if fees are new or increased	Low-to-Medium
13. Land Value Tax	Viability Requires a Change in State Law	N/A	Likely not allowed without change to state law	Very High	3-5 Years, if ever	High
14. Local Gas Tax (only impacts Transportation Services Fund)	More Viable	Between \$2.7M and \$5.5M per Year	Allowed	Low	1-2 Years	Medium-to-High
15. Local Marijuana Tax Increase	Viability Requires a Change in State Law	Variable, depending on changes to state law	Not allowed without change to state law	Low	Depends on state actions	Low-to-Medium
16. Local Option Property Tax Levy	More Viable	High	Allowed	Low	Depends on ballot timing	Medium
17. Luxury Tax (is also a type of <i>Sales Tax: Selective</i> )	Less Viable	Depends on which luxury good(s) are chosen	Clear, but no precedence	High	Depends on complexity from luxury good(s) chosen	Medium-to-High
18. Motor Vehicle Rental Tax	More Viable	Currently Unknown	Allowed	High	1-2 Years	Low-to-Medium
19. Operations Fee Increase	More Viable	High	Allowed	Low-to-Medium	Less than a year	Medium



REVENUE TYPE	ESTIMATED OVERALL VIABILITY	ESTIMATED REVENUE POTENTIAL	CURRENT UNDERSTANDING OF LEGAL AUTHORITY	ESTIMATED ADMINISTRATIVE COMPLEXITY	ESTIMATED TIME TO IMPLEMENT	ESTIMATED POLITICAL COMPLEXITY
20. Parking Tax Increase	More Viable	Currently Unknown	Allowed	Low	Less than a year	Medium
21. Payment in Lieu of Taxes (from the State Government)	Viability Requires a Change in State Law	Current legislative discussion seems it could be between \$5M-\$6M annually	Requires state legislative agreement	High	Depends on state legislation	Medium
22. Payroll Tax (Employee-Paid)	Less Viable	High	Allowed	High	1-2 Years	Extremely High
23. Payroll Tax (Employer-Paid)	Less Viable	High	Allowed	High	1-2 Years	Extremely High
24. Payroll Tax (Jointly- Paid)	Less Viable	High	Allowed	High	1-2 Years	Extremely High
25. Personal Income Tax	More Viable	High	Allowed, but little precedence	High	2+ Years	High
26. Photo Red Light Cameras and/or Photo Speeding Cameras	Less Viable	Very Low. Possible it may produce more costs than revenues.	Allowed	Currently Unknown	1-2 Years	Medium
27. Private Foundation Endowment	Less Viable	Depends on size of endowment	Allowed	High	5+ Years	Low
28. Property Tax on Vehicles	Less Viable	Currently Unknown	Unknown	High	2+ Years	Medium-to-High
29. Rental Housing Fee	More Viable	A \$20/unit fee could raise approximately \$550k annually	Allowed	Currently Unknown	1-2 Years	Medium
30. Restaurant Tax	More Viable	Currently Unknown	Allowed	High	2+ Years	Medium-to-High
31. Sale of Surplus Property	Less Viable	Depends on property sold	Allowed	High	Timing would vary by property specifics	Medium



REVENUE TYPE	ESTIMATED OVERALL VIABILITY	ESTIMATED REVENUE POTENTIAL	CURRENT UNDERSTANDING OF LEGAL AUTHORITY	ESTIMATED ADMINISTRATIVE COMPLEXITY	ESTIMATED TIME TO IMPLEMENT	ESTIMATED POLITICAL COMPLEXITY
32. Sales Tax: General	More Viable	High	Allowed	High	2+ Years	High
33. Sales Tax: Selective (includes any "sin taxes")	More Viable	Depends on goods and/or services selected	Allowed	High	2+ Years	High
34. Solid Waste Collection Fee	Less Viable	Currently Unknown	Allowed	Currently Unknown	Currently Unknown	Medium
35. Special District(s) Formation	Less Viable	Highly variable. May even decrease revenues available to the City	Clear authority, but many administrative and legal hurdles	Very High	3-5 Years or Longer	Medium-to-High
36. Street Lighting District	Less Viable	Currently Unknown	Allowed	High	Currently Unknown	Low-to-Medium
37. Sweetened Beverages Distributor Tax	Less Viable	Currently Unknown	Complex	High	2-5 Years	High
38. Tolls on Marion Street or Center Street Bridges	Viability Requires a Change in State Law	N/A	No Authority, bridges are owned by ODOT	N/A	N/A	N/A
39. Transient Occupancy Tax Increase	More Viable	Currently Unknown	Allowed	Low	Less than 1 Year	Low
40. Urban Renewal - Increase Frozen Base	More Viable	Unknown	Allowed	Low-to-Medium	6 Months to 1 Year	Low-to-Medium
41. Vacancy Tax (Empty Dwelling Fee)	Less Viable	Unknown	Currently Unknown	High	2-5 Years	High





1. ADMISSIONS/ENTERTAINMENT TAX	
<b>Description</b>	An excise tax applied to the price of admission for performances, entertainment, etc. Can be a flat fee (e.g., \$2) or a tax rate (e.g., 2% of ticket sales)
<b>Legal Authority</b>	State constitutional home rule powers and Salem City Charter grants City Council broad authority over matters within the City's boundaries. <ul style="list-style-type: none"><li>● Council may adopt tax by ordinance</li><li>● Or tax could be placed on ballot by Council or petition.</li></ul>
<b>Legal Restrictions</b>	Could not be levied on admissions sold by other public agencies.
<b>Peer Usage</b>	In Oregon there does not appear to be any admissions taxes supporting general services of local governments.  Widespread in other jurisdictions, including Spokane, Bloomington (state capital), Tacoma, Alexandria, Roanoke, Richmond, Denver, Boulder, Cincinnati, Minneapolis, Seattle, Santa Cruz.
<b>Administrative Effort</b>	Medium or high, may require additional FTE.
<b>Timeline</b>	Up to 2 years to fully implement.
<b>Who Pays</b>	Individual consumers, regardless of residence
<b>Equity Implications</b>	Technically the tax has a regressive structure (meaning that the tax is levied uniformly and therefore costs lower-income earners a larger percentage of their income in comparison to higher-income earners). However, because lower-income households are less likely to buy taxable admissions as higher-income households, more affluent people are likely to pay more.
<b>Environmental Sustainability Implications</b>	None
<b>Local economic implications</b>	A very small economic loss is possible as it is possible that higher ticket prices dissuade some people from attending events.
<b>Revenue Potential</b>	Likely low
<b>Viability</b>	Less viable. There is no major entertainment presence in the City, unlike Eugene with University of Oregon sports, or the Trailblazers in Portland. As such, this type of tax could probably help on the margins but would not substantially solve the City's large structural deficit.



<b>2. BICYCLE REGISTRATION FEE</b>	
<b>Description</b>	A one-time fee levied on bicycle purchases in the City
<b>Legal Authority</b>	State constitutional home rule powers and Salem City Charter grants City Council broad authority over matters within the City's boundaries. Revenue would be unrestricted and available to the general fund. <ul style="list-style-type: none"><li>● Council may adopt fee by ordinance</li><li>● Or fee could be placed on ballot by Council or petition.</li></ul>
<b>Legal Restrictions</b>	None
<b>Peer Usage</b>	State has a flat \$15 excise tax at point-of sale on new bikes over \$200. Colorado Springs had a point-of-sale tax that was discontinued. Honolulu city and county has a point-of sale tax of \$15.
<b>Administrative Effort</b>	Medium It is possible that Salem could partner with the Oregon Department of Revenue for administration if structured as a point-of-sale tax/surcharge on the state's excise tax.
<b>Timeline</b>	Depends on the difficulty of implementation and if Salem could partner with the Oregon Department of Revenue
<b>Who Pays</b>	Residents and non-residents purchasing bikes in Salem
<b>Equity Implications</b>	There is a disproportionate impact on low-income residents purchasing bicycles, as low-income households spend a larger share of their incomes on goods and services.
<b>Environmental Sustainability Implications</b>	In theory, it could have a small effect discouraging bicycling, increasing carbon emissions on cars/buses. Realistically, it is likely that a small tax would have minimal consequences.
<b>Local Economic Implications</b>	In theory, such a tax has a miniscule negative effect on economic activity. In practice, a small fee may not decrease economic activity. However, it could drive residents to purchase bicycles in other jurisdictions.
<b>Revenue Potential</b>	Likely very low. Would likely be \$5,000 or less per year.
<b>Viability</b>	Less viable. Very small in magnitude. Compliance would likely be a major issue, and it may drive bicycle purchasing out of the City.



### 3. BUSINESS GROSS TAX RECEIPTS

<b>Description</b>	<p>A gross receipts tax is a tax applied to a company's gross sales, usually without deductions for a firm's business expenses, like costs of goods sold and compensation. Business and occupations taxes are often a form of a gross receipts tax.</p> <p>Because the values of transactions are taxed, a gross receipts tax is often compared to retail sales taxes. However, while retail sales taxes apply only to final sales to consumers, gross receipts taxes tax wholesale transactions as well, including intermediate business-to-business purchases of supplies, raw materials, and equipment.</p> <p>As a result of the tax's application to intermediate sales, a gross receipts tax creates an extra layer of taxation at each stage of production that sales and other taxes do not—something economists call "tax pyramiding." This also distributes the impact of the tax more broadly, allowing a very low tax rate.</p>
<b>Legal Authority</b>	<p>Legal restrictions depend on structure and application of the tax; under ORS 317A.158, the City is preempted from levying any new commercial activity tax, however subsection 2(b) expressly states that other privilege taxes not computed based on commercial activity are not preempted.</p> <p>Further legal analysis is needed to confirm permitted tax structure.</p> <p><b>IF such a tax is deemed permissible</b>, state constitutional home rule powers and Salem City Charter grants City Council broad authority over matters within the City's boundaries. Revenue would be unrestricted and available to the general fund. Council may adopt tax by ordinance Or tax could be placed on ballot by Council or petition.</p>
<b>Legal Restrictions</b>	<p>May not be allowed (see above)</p>
<b>Peer Usage</b>	<p>A number of states have gross receipts taxes, including Oregon, Washington, Delaware, Florida, Hawaii, Illinois Mississippi, Montana, New Mexico, Ohio, Pennsylvania, and West Virginia. Cities with a gross receipts tax include Santa Fe (a fellow state capital), Los Angeles, San Francisco, Oakland CA, Bellevue WA, Alexandria VA, among others.</p> <p>The City of Eugene administered a Downtown Development District Tax with a gross sales and receipt component from 1973-1992 for the purpose of operating the City's downtown free parking program. Under this program, any person engaging in business in the Downtown Development District was required to pay Eugene a tax at rates of \$2.80-\$3.50 per \$1,000 of the gross retail sales and receipts from business.</p> <p>Oregon levies a Commercial Activity Tax on businesses with more than \$1 million of taxable revenue per year. This tax is equal to \$250 plus 0.57% of the taxpayer's revenue.</p>
<b>Administrative Effort</b>	<p>High</p> <p>It may be possible to partner with the state Department of Revenue, who collect the statewide Commercial Activity Tax, to collect and administer a local tax.</p>
<b>Timeline</b>	<p>2-5 years</p>
<b>Who Pays</b>	<ul style="list-style-type: none"><li>● For-profit businesses</li><li>● Some (or all) additional costs are likely passed onto consumers through higher prices of goods and services</li></ul>



<b>3. BUSINESS GROSS TAX RECEIPTS</b>	
<b>Equity Implications</b>	All taxes structured on business activity can potentially have disproportionate impacts on lower income households since they spend a larger portion of their income on goods and services, and prices on goods and services are likely to increase under such a tax.
<b>Environmental Sustainability Implications</b>	None
<b>Local Economic Implications</b>	<ul style="list-style-type: none"><li>• Could cause businesses to move outside the City</li><li>• Could shift some wholesale and manufacturing activity outside the City</li><li>• Has a disproportionate effect on firms with low margins and high volumes. This may disproportionately impact start-ups and entrepreneurs. However, a carve-out for businesses with lower total revenue could help to avoid this.</li><li>• Can negatively impact the perceived business climate of the City</li></ul>
<b>Revenue Potential</b>	Likely high
<b>Viability</b>	<ul style="list-style-type: none"><li>• More viable</li><li>• Could generate significant and sustained revenue</li><li>• Implementation and administration could be intensive, especially if partnership with the state Department of Revenue is not possible.</li><li>• Likely to face strong political resistance from business community</li></ul>



<b>4. BUSINESS LICENSE FEES</b>	
<b>Description</b>	<p>A business license is a government-issued permit that authorizes an individual or a company to conduct business in that government's jurisdiction. The fee calculation could take several different forms: a fixed amount per business or be tiered, based on business size (measured by gross receipts or number of employees). It is typically paid prior to engaging in business, paid on an annual basis, and does imply a regulatory relationship.</p>
<b>Legal Authority</b>	<p>Salem already requires a license and fee for certain types of businesses.</p> <p>Authority is clearly established. State constitutional home rule powers and Salem City Charter grants City Council broad authority over matters within the City's boundaries. Revenue would be unrestricted and available to the general fund.</p> <ul style="list-style-type: none"><li>● Council may adopt fees by ordinance.</li><li>● Or fee could be placed on ballot by Council or petition.</li></ul>
<b>Legal Restrictions</b>	<p>None currently known</p>
<b>Peer Usage</b>	<p>Salem already requires a license and fee for certain types of businesses.</p> <p>Business license requirements vary widely across Oregon.</p> <p>The City of Portland business license rate is 2.6% of net income after allowable deductions. The annual minimum fee is \$100. Business licenses are required from the opening date of business. Multnomah County's business income tax rate is 2% of the net income after allowable deductions. The annual minimum fee is \$100 (started 2008). Business income taxes are due at the same time they file federal and state income tax returns. Both have exemptions, most notably businesses that gross less than \$50,000 annually for the Portland tax and \$100,000 annually for the Multnomah tax.</p> <p>Springfield requires a license for 28 business types with a fee schedule tailored to those business types. In 2014, Springfield's Finance Director estimated that 75-80% of the estimated \$105,000 - \$120,000 generated per year revenue was devoted to personnel expenses to administer the program. A large portion of the remaining revenue covered software, supervision, and indirect program costs, leaving approximately 5-10% of collection as net revenue.</p> <p>Medford requires an annual business license for all businesses. The application review fee is \$50 and the commercial business license fee is \$100. A subset of business types are exempt (such as non-profits). Some business categories have fees specific to that category (mobile food vendor, home-based business). The fee application process requires information for the Fire Department, including emergency contacts, type of fire protection system, and the presence of hazardous or combustible materials. The business license process consolidates a variety of regulatory issues into a single, streamlined process.</p> <p>Eugene currently requires the following businesses to apply and pay a fee for a license: payday lenders, public passenger vehicles, and recycling and solid waste haulers. Eugene requires permits and fees for on-street commercial activity in the Downtown Activity Zone.</p>
<b>Administrative Effort</b>	<p>Salem already has infrastructure in place for some types of businesses. There would be additional costs and complexity to expanding the types of fees, but few costs to increasing the amount of current fees.</p>



4. BUSINESS LICENSE FEES	
<b>Timeline</b>	1-2 years
<b>Who Pays</b>	<ul style="list-style-type: none"><li>• Businesses</li><li>• All types of business taxes or fees may be passed onto consumers</li></ul>
<b>Equity Implications</b>	Any increase in the cost of a good or service has a disproportionate effect on low-income households because they spend a higher share of income on goods and services.
<b>Environmental Sustainability Implications</b>	None
<b>Local Economic Implications</b>	<ul style="list-style-type: none"><li>• Businesses could shift to nearby jurisdictions to avoid tax burden.</li><li>• This could negatively impact the perceived business climate in Salem.</li></ul>
<b>Revenue Potential</b>	Variable, depends on the fees chosen
<b>Overall Viability</b>	<ul style="list-style-type: none"><li>• More viable</li><li>• Can be administratively and politically complex</li><li>• Revenue Potential is highly variable depending on the structure of the tax.</li></ul>



<b>5. CARBON TAX</b> Likely takes the form of a local gas tax (see also Local Gas Tax table)	
<b>Description</b>	<p>A carbon tax is a form of carbon pricing, which is exactly as the name implies: imposing a price on carbon emissions to mitigate the negative externalities created by greenhouse gas emissions, specifically carbon dioxide (CO<sub>2</sub>) emissions.</p> <p>Fuels that produce CO<sub>2</sub> include gasoline, diesel, kerosene, aviation fuel, liquefied petroleum gas (propane), fuel oil, heating oil, methane gas, coal, firewood, wood waste, hog fuel, and biofuels. A tax would most likely be applied to a limited number of fuels that generate the most CO<sub>2</sub> emissions when burned: gasoline, diesel and methane gas.</p>
<b>Legal Authority</b>	Under Section 3a of Article IX of the Oregon Constitution, any carbon tax revenue on motor vehicle fuel transactions can be used only within the street right-of-way on transportation-related projects.
<b>Legal Restrictions</b>	There are other potential Constitutional limitations in considering a carbon tax in Oregon. Specifically, Section 3b of Article IX states that tax rates on oil and natural gas shall not exceed 6% of the market value of each resource, with the exception of taxation covered under Section 3a. According to Article VIII, Section 2 (1)(g), revenue from taxes on oil and natural gas outside of the scope of Section 3 accrue to the Common School Fund.
<b>Peer Usage</b>	International use is widespread. Domestically, there are a few local government examples apart from gas taxes: The Bay Area Air Quality Management District, Boulder (CO), and Athens (OH).
<b>Administrative Effort</b>	Depends on the complexity of the carbon tax(es) proposed. Would be relatively straightforward if it was a simple tax on fuels and/or a business tax on motor vehicle fuels.
<b>Timeline</b>	1 to 2 years
<b>Who Pays</b>	<ul style="list-style-type: none"><li>• Depends on the structure of the tax</li><li>• Taxes on fuels would be paid by consumers.</li><li>• Taxes on businesses could be paid by businesses, but these costs may be passed onto consumers.</li></ul>
<b>Equity Implications</b>	Depends on the exact tax. Like any tax on necessary goods or services, carbon taxes can have a disproportionate effect on the poor since they spend a higher proportion of their income.
<b>Environmental Sustainability Implications</b>	Actively beneficial to the environment.
<b>Local Economic Implications</b>	<ul style="list-style-type: none"><li>• Could incentivize businesses to move out of City limits</li><li>• Could incentivize consumers to purchase fuel outside of city limits</li></ul>
<b>Revenue Potential</b>	Highly variable, depends on the specific tax(es) chosen
<b>Overall Viability</b>	More viable. Variable impact. Likely takes the form of a Local Gas Tax.



6. CONSTRUCTION EXISE TAX	
<b>Description</b>	<p>Oregon Legislature passed Senate Bill 1533 authorizing Oregon cities and counties to establish a construction excise tax (CET). The law authorizes a city or county to tax new residential, commercial, and industrial buildings, additions, and alterations. Specifically, it applies to all improvements which result in a new structure, additional square footage to an existing structure, or addition of living space to an existing structure.</p>
<b>Legal Authority</b>	<p>Authority is clearly established. State constitutional home rule powers and Salem City Charter grants City Council broad authority over matters within the City's boundaries. Revenue would be unrestricted and available to the general fund.</p> <ul style="list-style-type: none"><li>● Council may adopt tax by ordinance.</li><li>● Or tax could be placed on ballot by Council or petition.</li></ul>
<b>Legal Restrictions</b>	<p>The State maximum for CET that local jurisdictions are allowed to impose is 1% for residential construction.</p> <p>Cities may retain an amount not to exceed 4% as an administrative fee to recoup the expenses of collecting the CET.</p> <p>State law also mandates a list of building types that are exempt from paying CET.</p> <p style="text-align: center;"><b>Allowable uses of revenue:</b></p> <p><u>Residential Construction</u></p> <ul style="list-style-type: none"><li>● 50% dedicated to fund developer incentives</li><li>● 35% for city affordable housing programs and incentives</li><li>● 15% distributed to the State Housing and Community Services Dept. (HCSD) for down payment assistance</li></ul> <p><u>Commercial and Industrial Construction</u></p> <ul style="list-style-type: none"><li>● 50% for city affordable housing programs and incentives</li><li>● 50% unrestricted</li></ul>
<b>Peer Usage</b>	<p>Eugene, Corvallis, Bend, Portland</p>
<b>Administrative Effort</b>	<ul style="list-style-type: none"><li>● Medium-to-high.</li><li>● Likely requires broad outreach and stakeholder engagement with the development community</li></ul>
<b>Timeline</b>	<p>1 to 2 years</p>
<b>Who Pays</b>	<ul style="list-style-type: none"><li>● Developers or property owners</li><li>● These costs very likely get passed onto the users of housing</li></ul>
<b>Equity Implications</b>	<ul style="list-style-type: none"><li>● Reduces the business viability of housing development, which can raise the cost of developing market rate housing.</li><li>● The cost of market rate housing development can have ripple effects on housing availability throughout the socioeconomic spectrum. Reducing overall housing supply increases housing costs, even for low-income households.</li><li>● If developers perceive the CET to be too high, they might develop elsewhere. This would make it more difficult to afford housing in Salem through reduced supply.</li></ul>





6. CONSTRUCTION EXISE TAX	
<b>Environmental Sustainability Implications</b>	May discourage environmentally friendly building practices due to increased costs.
<b>Local Economic Implications</b>	See <i>equity implications</i> above
<b>Revenue Potential</b>	Unknown
<b>Overall Viability</b>	<ul style="list-style-type: none"><li>• More viable</li><li>• However, negative impacts on development may not be worth the additional revenues.</li><li>• Due to social and political concerns, such revenues may likely be restricted to City affairs that intersect with housing (e.g., homelessness, Community Development)</li></ul>



7. CORPORATE INCOME TAX	
<b>Description</b>	A corporate income tax is different from a general income tax in that only for-profit corporations doing business or otherwise obtaining income from within the taxing jurisdiction are subject to the tax.
<b>Legal Authority</b>	Unclear
<b>Legal Restrictions</b>	Legal restrictions depend on structure and application of the tax; under ORS 317A.158, the City is preempted from levying any new commercial activity tax, however subsection 2(b) expressly states that other privilege taxes not computed based on commercial activity are not preempted.
<b>Peer Usage</b>	<p>The State of Oregon has a corporate tax rate.</p> <p>Multnomah County has a business income tax of 2% of net income, a portion of which is shared with cities within the County.</p> <p>Portland has a 1% tax of business income with gross receipts above \$5 million.</p>
<b>Administrative Effort</b>	A City corporate income tax could be administered and collected most efficiently as a surcharge on a corporation's existing State corporate tax liability. This would greatly simplify imposition of the local tax. Effort and costs to implement and administer a City corporate income tax would depend on whether the City could reach agreement with the State Department of Revenue to collect the tax as a surcharge on existing State corporate tax.
<b>Timeline</b>	2-5 years
<b>Who Pays</b>	Corporations conducting business and deriving income within the City
<b>Equity Implications</b>	<p>Likely has an indirect effect on the prices of goods and services. Lower income households spend a larger percentage of income on goods and services than higher income households, meaning such a tax may have disproportionate impacts on low-income households.</p> <p>However, those with equity in for-profit businesses impacted by such a tax are more likely to be medium-to-high income households.</p>
<b>Environmental Sustainability Implications</b>	None
<b>Local Economic Implications</b>	<ul style="list-style-type: none"> <li>● Could hurt the city's perception as a business-friendly environment</li> <li>● Businesses may choose to relocate</li> </ul>
<b>Revenue Potential</b>	High, but like many revenue options, amount varies depending on tax rate(s) chosen
<b>Overall Viability</b>	<p>Less viable.</p> <ul style="list-style-type: none"> <li>● More legal analysis needed to determine ability to implement</li> <li>● Political complexity likely to be high</li> <li>● Revenue capacity is significant</li> </ul>



<b>8. ELECTRIC VEHICLE CHARGING STATION PERMIT FEE</b>	
<b>Description</b>	An Electric Vehicle (EV) Charging Station Permit Fee is a fee charged by the City for the installation of a Level 2 or Level 3 charger for electric vehicles. This may be a commercial charger or a residential charger.
<b>Legal Authority</b>	Specific authority on such fees is unknown.  State constitutional home rule powers and Salem City Charter grants City Council broad authority over matters within the City's boundaries.
<b>Legal Restrictions</b>	None currently known
<b>Peer Usage</b>	Unknown peer use in Oregon  Such fees have seen increased use in other states as electric vehicle use has increased in recent years.
<b>Administrative Effort</b>	Unclear. Compliance and monitoring would be difficult.
<b>Timeline</b>	Between 1-2 years.
<b>Who Pays</b>	Installers of electric vehicle charging stations. This may be homeowners, developers, or other businesses. For new development, this cost is likely passed onto the purchaser or lessee of the property.
<b>Equity Implications</b>	None
<b>Environmental Sustainability Implications</b>	In theory, such a fee discourages the use of electric vehicles, which may marginally increase carbon emissions. In practice any effects would be small.
<b>Local Economic Implications</b>	Makes electric vehicle charging marginally more expensive. Could dissuade chargers from being built within City limits.
<b>Revenue Potential</b>	Likely low
<b>Overall Viability</b>	Less viable. <ul style="list-style-type: none"><li>● Low impact</li><li>● Most fees for such installations are usually meant for cost recovery efforts for municipalities' efforts for creating safe electric charger installation.</li><li>● Not a major driver of revenues to the scale necessary to solve City revenue challenges</li></ul>



## 9. FIRST RESPONDER FEE

<b>Description</b>	The First Responder Fee (FRF) is designed to recoup costs incurred while delivering Advanced Life Support (ALS) first response and patient care, regardless of whether a patient is transported in an ambulance.
<b>Legal Authority</b>	Authority is clearly established. State constitutional home rule powers and Salem City Charter grants City Council broad authority over matters within the City's boundaries. Revenue would be unrestricted and available to the general fund. <ul style="list-style-type: none"><li>● Council may adopt fee by ordinance.</li><li>● Or fee could be placed on ballot by Council or petition.</li></ul>
<b>Legal Restrictions</b>	None known
<b>Peer Usage</b>	Very common
<b>Administrative Effort</b>	Low
<b>Timeline</b>	0-2 years
<b>Who Pays</b>	Users of first responder services, and/or their insurance
<b>Equity Implications</b>	Higher fees may cause some community members to elect to bypass necessary ambulance transport when seeking treatment.
<b>Environmental Sustainability Implications</b>	None
<b>Local Economic Implications</b>	N/A
<b>Revenue Potential</b>	<ul style="list-style-type: none"><li>● Low</li><li>● Such fees are not designed to generate significant revenue. Fees are to recoup some of the costs of service.</li></ul>
<b>Overall Viability</b>	Less Viable. <ul style="list-style-type: none"><li>● Could help to pay some of costs of capital acquisition or replacement related to emergency response</li><li>● Fees are not a major driver of revenue</li></ul>



10. FRANCHISE FEE INCREASE	
<b>Description</b>	Right-of-way franchise fees are assessed for the privilege of use of City-owned rights-of-way for distribution of utility services or products.
<b>Legal Authority</b>	Clear, unambiguous
<b>Legal Restrictions</b>	<p>There is an Oregon Constitutional limitation under Article IX (OR Const, Art IX, § 3b) that caps the rate of any tax levied on oil products or natural gas, other than motor vehicle fuel, to no more than 6% of its market value.</p> <p>There is also a 7% cap on franchise fees for telecom carriers (ORS 221.515) and a 5% cap on cable operators (47 U.S.C § 541); 5% for electric, natural gas, water, sewer, and stormwater under ORS 221.450 unless provided under ORS 221.655.</p> <p>The Federal Communications Commission (FCC) approved a rule change that took effect in September 2019, reducing franchise fee payments from cable operators by allowing providers certain deductions from cable franchise fees. The rule change also preempted local governments from regulating or imposing fees related to non-cable services that rely on use of the public right-of-way such as internet service providers.</p>
<b>Peer Usage</b>	Very common. Salem already has 5% franchise fees for all utilities in place.
<b>Administrative Effort</b>	Low
<b>Timeline</b>	6 months to 1 year
<b>Who Pays</b>	<ul style="list-style-type: none"> <li>● The operator of the utility</li> <li>● Indirectly, all utility users</li> </ul>
<b>Equity Implications</b>	N/A
<b>Environmental Sustainability Implications</b>	N/A
<b>Local Economic Implications</b>	Could have some negative impacts on the City's perceived business climate
<b>Revenue Potential</b>	<ul style="list-style-type: none"> <li>● Low-to-medium</li> <li>● Franchise fees are currently at 5% across utilities.</li> <li>● There is a limited 2% increase available for any telecom carriers in the city.</li> </ul>
<b>Overall Viability</b>	<p>More viable.</p> <ul style="list-style-type: none"> <li>● Increase in franchise fees are limited to an additional 2% of telecom utilities.</li> </ul>



## 11. HEAVY VEHICLE TAX

<b>Description</b>	<p>Road damage increases exponentially with vehicle weight.</p> <div style="text-align: center;"> <table border="1" style="margin: 10px auto;"> <caption>Road damage by vehicle type/weight</caption> <thead> <tr> <th>Vehicle Type</th> <th>Vehicle tons</th> <th>Equivalent Damage</th> </tr> </thead> <tbody> <tr> <td>Car</td> <td>5</td> <td>0.02</td> </tr> <tr> <td>SUV</td> <td>10</td> <td>0.1</td> </tr> <tr> <td>Ice Truck</td> <td>22</td> <td>2.38</td> </tr> <tr> <td>Empty Dump Truck</td> <td>30</td> <td>9.55</td> </tr> <tr> <td>Loaded Dump Truck</td> <td>40</td> <td>35.89</td> </tr> </tbody> </table> </div> <p>A heavy vehicle tax could be levied on vehicles over a certain weight and registered to an individual or business within the City. Since most heavy vehicles are used by business, the tax would likely be implemented as a business license tax, and payment of the tax would be a condition of doing business within the City. The heavy vehicle business license tax rate would be proportional to the vehicle's weight &amp; axle configuration</p>	Vehicle Type	Vehicle tons	Equivalent Damage	Car	5	0.02	SUV	10	0.1	Ice Truck	22	2.38	Empty Dump Truck	30	9.55	Loaded Dump Truck	40	35.89
Vehicle Type	Vehicle tons	Equivalent Damage																	
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Ice Truck	22	2.38																	
Empty Dump Truck	30	9.55																	
Loaded Dump Truck	40	35.89																	
<b>Legal Authority</b>	<p>State constitutional home rule powers and Salem City Charter grants City Council broad authority over matters within the City's boundaries.</p>																		
<b>Legal Restrictions</b>	<p>Revenue from a heavy vehicle tax would be subject to Article IX of the Oregon Constitution requiring that it be spent within the street rights-of-way.</p>																		
<b>Peer Usage</b>	<p>Very common usage amongst states. Portland has a heavy vehicle use tax.</p>																		
<b>Administrative Effort</b>	<ul style="list-style-type: none"> <li>● Significant and would reduce the net revenue generated.</li> <li>● It would require reporting by the taxpayer and the use of multiple data sets for administration and enforcement.</li> </ul>																		
<b>Timeline</b>	<p>1-2 Years</p>																		
<b>Who Pays</b>	<p>Businesses with registered heavy vehicles</p>																		
<b>Equity Implications</b>	<p>Supports fairness in road taxation since heavy vehicles cause disproportionately more road damage.</p>																		
<b>Environmental Sustainability Implications</b>	<ul style="list-style-type: none"> <li>● Makes the cost of heavy vehicles marginally greater, which in theory can incentivize the use of more efficient vehicles.</li> <li>● In reality, will likely have a negligible impact on use</li> </ul>																		
<b>Local Economic Implications</b>	<p>Could have marginally negative impacts on the perceived business climate for businesses using heavy vehicles</p>																		
<b>Revenue Potential</b>	<p>Currently Unknown</p>																		
<b>Overall Viability</b>	<p>More viable. However, revenues are restricted to the Transportation Services Fund.</p>																		



## 12. HIGHER/NEW FEES FOR SERVICE

<b>Description</b>	A user fee or service charge is paid by those who use and benefit from a specific public good, service, or facility, as a condition for receiving or using it.
<b>Legal Authority</b>	Clear and unambiguous
<b>Legal Restrictions</b>	Few to none
<b>Peer Usage</b>	Nearly every city in the United States
<b>Administrative Effort</b>	<ul style="list-style-type: none"><li>● Low for increased fees</li><li>● Medium for new fees</li></ul>
<b>Timeline</b>	<ul style="list-style-type: none"><li>● Depends on complexity and if fees are new or increased.</li><li>● A few weeks, several months, or longer than a year.</li></ul>
<b>Who Pays</b>	Users of City services
<b>Equity Implications</b>	Perception of fairness will vary depending on the good or service involved and the level of the charge.
<b>Environmental Sustainability Implications</b>	Depends on the fee and service, but likely none.
<b>Local Economic Implications</b>	Can discourage residents from taking advantage of an underpriced (effectively subsidized) City service
<b>Revenue Potential</b>	Low
<b>Overall Viability</b>	More viable. <ul style="list-style-type: none"><li>● Can help somewhat, to the extent that it would reduce any service subsidization by the general fund, but cannot solve the revenue gap</li><li>● If fees are set too high, the amount of revenue collected can actually decrease due to fewer customers.</li><li>● Would likely require a fee study, which comes with costs</li></ul>



### 13. LAND VALUE TAX

<b>Description</b>	<p>A Land Value Tax separates levies on the land and improvements (buildings or structures), and primarily relies on the value of the land to determine the taxable value.</p> <p>The rationale behind a Land Value Tax is rooted in encouraging investment and development. Under traditional property tax systems, enhancing a property leads to increased taxes, as improvements raise the property's assessed value. This can inadvertently discourage property owners from making beneficial improvements. In contrast, a Land Value Tax does not penalize individual property enhancements. Instead, it assesses taxes based on the value of the land, which may appreciate due to broader community developments and infrastructural improvements, ensuring that the wealth generated by city-wide growth is more equitably shared.</p>
<b>Legal Authority</b>	Dubious
<b>Legal Restrictions</b>	Unless the state government says otherwise, land value tax is still a property tax. The City cannot legally change its tax rates, which would be necessary to maintain current revenue levels. Revenues would still be subject to Measures 5 and 50 unless the state deems that it is not a property tax.
<b>Peer Usage</b>	<p>None in Oregon.</p> <p>Allentown, PA &amp; Harrisburg, PA</p>
<b>Administrative Effort</b>	Very High
<b>Timeline</b>	<ul style="list-style-type: none"> <li>● Unclear as this is not within the City's control.</li> <li>● A long-term political process</li> <li>● Best guess would be 3-5 years, if ever</li> </ul>
<b>Who Pays</b>	<ul style="list-style-type: none"> <li>● Property owners</li> <li>● Indirectly, tenants</li> </ul>
<b>Equity Implications</b>	Incentivizes development, which would eventually lower housing prices through increased housing supply. This disproportionately would benefit low-income residents.
<b>Environmental Sustainability Implications</b>	Would encourage more dense residential and commercial development, which can have beneficial effects on emissions.
<b>Local Economic Implications</b>	Would incentivize housing development, which is the logic behind such a tax
<b>Revenue Potential</b>	Would not increase revenues without a major restructuring or legal reinterpretation of Oregon property tax law.
<b>Overall Viability</b>	Viability likely requires a change in state law or a favorable court ruling.





14. LOCAL GAS TAX	
<b>Description</b>	A surcharge per gallon of fuel on gas purchased within City limits
<b>Legal Authority</b>	Clear and unambiguous
<b>Legal Restrictions</b>	<ul style="list-style-type: none"><li>● A gas tax can only be approved through a successful ballot measure</li><li>● Would need to be dedicated to the Transportation Services Fund, not the General Fund.</li></ul>
<b>Peer Usage</b>	Widely used across Oregon
<b>Administrative Effort</b>	<ul style="list-style-type: none"><li>● Low</li><li>● The Oregon Department of Transportation has a clear and simple process to administer local gas taxes on behalf of local jurisdictions</li></ul>
<b>Timeline</b>	1 to 2 years
<b>Who Pays</b>	Purchasers of gas within city limits
<b>Equity Implications</b>	<ul style="list-style-type: none"><li>● Regressive in the sense that lower income people spend a higher proportion of their incomes on goods and services, including gas.</li><li>● However, higher income people tend to purchase more gas, so would be paying more of the tax.</li></ul>
<b>Environmental Sustainability Implications</b>	There are some environmental benefits due to additional disincentives to purchase gasoline.
<b>Local Economic Implications</b>	It is possible that some consumers may choose to go outside of City limits to avoid the gas tax.
<b>Revenue Potential</b>	A previous City of Salem staff forecast estimated between \$2.7M (\$0.03/gallon) and \$5.5M (\$0.06/gallon) in revenues.
<b>Overall Viability</b>	More viable. <ul style="list-style-type: none"><li>● Revenue can only be used in the Transportation Services Fund</li><li>● Does not impact general fund revenue needs</li></ul>



<b>15. LOCAL MARIJUANA TAX INCREASE</b>	
<b>Description</b>	A tax on recreational marijuana items sold to consumers within city limits.
<b>Legal Authority</b>	In 2023, the state legislature considered legislation that would allow cities to increase the local retail sales tax to 10%, but also required sharing 20% of that increased tax revenue with counties. Similar legislative concepts were considered in 2021. This discussion is likely to come up again, although the legislature appears to be taking an “either/or” approach to reducing the financial hit that Measure 110 had on cities beginning in 2021 – either allow cities to increase the retail sales tax or change how the state shared marijuana revenue is calculated to increase city shares. In time, the legislature may pass both types of bills, but a timeline for accomplishing this is unknown.
<b>Legal Restrictions</b>	Once it is legal to do so, City Council would be required to pass an ordinance to increase the local tax. The tax would then need to be placed on the ballot and approved by electors in order to become effective.
<b>Peer Usage</b>	The City currently imposes a 3% local marijuana tax. The State of Oregon also levies a retail marijuana sales tax of 17%, making the current total tax rate 20% within Salem.
<b>Administrative Effort</b>	Administering an increased tax would be straightforward: the City currently contracts with the Department of Revenue (DOR) to administer and collect the local marijuana tax. Revenues are sent quarterly to the City.
<b>Timeline</b>	Would depend upon actions by the state.
<b>Who Pays</b>	<ul style="list-style-type: none"><li>• The tax is paid by all consumers of marijuana products purchased at dispensaries located in Salem.</li><li>• Both residents and non-residents.</li></ul>
<b>Equity Implications</b>	<ul style="list-style-type: none"><li>• Recreational marijuana is purchased with discretionary income and consumers are paying the tax proportional to their purchasing power.</li><li>• However, any raise in the price of goods is technically regressive, as lower-income households spend a larger portion of their incomes.</li></ul>
<b>Environmental Sustainability Implications</b>	None
<b>Local Economic Implications</b>	There is a possibility that consumers may take their business outside of City limits if Salem is the only nearby jurisdiction that opts to increase the tax.
<b>Revenue Potential</b>	Variable, depending on changes to state law
<b>Overall Viability</b>	Viability requires a change in state law. If the state approves this change, it could be a piece of the funding solution in the medium-to-long terms. However, declines in marijuana purchases could threaten these funds.



16. LOCAL OPTION PROPERTY TAX LEVY	
<b>Description</b>	A local option levy is a temporary property tax that is paid by all owners of taxable property within the city limits. The City could impose a local option levy for general fund services for a maximum of five years or for capital projects for up to 10 years.
<b>Legal Authority</b>	Clear and unambiguous
<b>Legal Restrictions</b>	New or additional property taxes must be approved by a majority of the people voting in a May or November election.
<b>Peer Usage</b>	Very common throughout the state
<b>Administrative Effort</b>	Low. Property taxes are administered by counties
<b>Timeline</b>	To be placed on the ballot for the November 2024 election, the deadline would be in July 2024, and revenue could be collected starting FY26 (July 2025).
<b>Who Pays</b>	<ul style="list-style-type: none"> <li>• The tax is paid by all owners of taxable property within city limits. Property owners include business and residences.</li> <li>• Businesses may pass the costs of the tax onto their customers.</li> </ul>
<b>Equity Implications</b>	<p>The property tax is a proportional tax on the assessed value of real and personal property for businesses and residences.</p> <p>An additional property tax levy could marginally affect how affordable housing is in West Salem.</p>
<b>Environmental Sustainability Implications</b>	N/A
<b>Local Economic Implications</b>	Would slightly increase ongoing cost of property ownership in Salem. Property taxes are already compressed for approximately 3,500 properties in the Salem portion of Marion County. A local option levy would cause additional properties to be in compression, increasing the number of tax payers not paying the full tax rate.
<b>Revenue Potential</b>	<ul style="list-style-type: none"> <li>• Variable, depends on tax level chosen</li> <li>• Local option levies are subject to the \$10 per \$1,000 of real market value tax rate cap for all general governments under Measure 5. Local option levies are the first to be reduced in the event of tax rate compression. This means that if the combined total levies for the overlapping general governments exceed the Measure 5 cap, any local option levies would be proportionally reduced until the tax rate limit is satisfied.</li> <li>• Some Marion County properties are already subject to compression.</li> </ul>
<b>Overall Viability</b>	<ul style="list-style-type: none"> <li>• More viable.</li> <li>• Local option levies are familiar and understandable to the public, which helps with political feasibility versus a new type of revenue source.</li> <li>• The potential impact of tax compression should be examined in further depth when modeling the actual revenue derived from a proposed tax amount</li> <li>• Local option levies grow at a similar rate as current Salem property taxes, meaning revenue would not keep pace with the services the levy supports. Additional increases would be needed to cover ongoing structural imbalances.</li> </ul>



17. LUXURY TAX	
<b>Description</b>	A luxury tax is a sales or excise tax that would be applied to the price of specific luxury goods or services. Luxury goods generally are products that are not considered essential and are purchased by very wealthy consumers. The tax has been typically applied to particular classes of luxury goods such as expensive vehicles, jewelry, airplanes, boats, etc.
<b>Legal Authority</b>	Council has broad authority under the City charter to implement such a tax, but there is little precedence for such a tax in Oregon.
<b>Legal Restrictions</b>	If a luxury tax is levied on motor vehicles, it might fall within the Oregon Constitution's requirement that revenue from a tax levied on the "ownership" of a motor vehicle must be dedicated to roads and public right-of-way.
<b>Peer Usage</b>	Santa Fe (another state capital) voters in 2023 approved a luxury tax on home sales over \$1 million. Connecticut has a 7.75% luxury sales tax on certain items that is used in lieu of the state's 6.35% rate for all other goods and services. The federal government had a luxury tax on certain goods between 1991-1993.
<b>Administrative Effort</b>	High
<b>Timeline</b>	Depends on complexity, which is determined by which luxury items are chosen
<b>Who Pays</b>	The tax would be paid by the purchasers of the taxed luxury goods. Since the taxed goods would be, by definition, expensive, the purchasers would likely be more affluent households or businesses.
<b>Equity Implications</b>	Because the purchasers of luxury items tend to be those of higher incomes, a luxury tax is progressive. However, lower-income purchasers of any luxury goods are still taxed.
<b>Environmental Sustainability Implications</b>	If tax is applied to higher-priced electric vehicles, in theory there could be marginal disincentives to buy electric vehicles, which could increase emissions over time.
<b>Local Economic Implications</b>	Could incentivize purchasers of luxury goods to purchase them outside of City limits
<b>Revenue Potential</b>	Depends on which luxury items are chosen
<b>Overall Viability</b>	Less viable. <ul style="list-style-type: none"><li>● Complexity is highly dependent on which luxury good(s) are chosen</li></ul>



<b>18. MOTOR VEHICLE RENTAL TAX</b>	
<b>Description</b>	<p>A tax imposed on people renting a motor vehicle from a commercial establishment within the city of Salem. The two most common methods of rate calculation are a percentage of gross rental fee or a flat per day fee.</p> <p>Rates vary significantly among jurisdictions with percentages ranging from 1%-17% and flat fees ranging from \$2-\$4 per day.</p> <p>Rental car companies at the municipal airport already pay a percentage of their income to operate at the airport. This revenue goes to the Airport Fund.</p>
<b>Legal Authority</b>	<p>State constitutional home rule powers and Salem City Charter grants City Council broad authority over matters within the City's boundaries.</p> <ul style="list-style-type: none"> <li>● Council may adopt tax by ordinance</li> <li>● Or tax could be placed on ballot by Council or petition.</li> </ul>
<b>Legal Restrictions</b>	Revenue would be unrestricted and available to the General Fund.
<b>Peer Usage</b>	41 states and over 80 local governments impose a vehicle rental tax, including Multnomah County and Lane County.
<b>Administrative Effort</b>	High
<b>Timeline</b>	1-2 years
<b>Who Pays</b>	<ul style="list-style-type: none"> <li>● Primarily non-residents.</li> <li>● People/businesses who rent motor vehicles from rental companies located in Salem</li> </ul>
<b>Equity Implications</b>	The tax would have a greater burden on low-income individuals because the additional cost of a car rental is a greater portion of their income than it would be for a higher income individual. However, higher-income individuals are more likely to rent cars and travel.
<b>Environmental Sustainability Implications</b>	Technically, all taxes levied on fossil fuel-based transportation disincentivizes use to some extent. The actual emissions effect, however, would be miniscule.
<b>Local Economic Implications</b>	<ul style="list-style-type: none"> <li>● A car rental tax would increase the cost of visiting Salem, primarily impacting tourists and business travelers.</li> <li>● It would also increase costs for local businesses that frequently pay for car rental services, such as insurance companies.</li> </ul>
<b>Revenue Potential</b>	Currently Unknown
<b>Overall Viability</b>	<ul style="list-style-type: none"> <li>● More viable.</li> <li>● Tax is primarily paid by non-residents</li> </ul>



19. OPERATIONS FEE INCREASE	
<b>Description</b>	Fees added to the bills of utility customers
<b>Legal Authority</b>	Authority clearly established. State constitutional home rule powers & Salem City Charter grants City Council broad authority over matters within the City's boundaries. <ul style="list-style-type: none"><li>● Council may adopt fee by ordinance.</li><li>● Or fee could be placed on ballot by Council or petition.</li></ul>
<b>Legal Restrictions</b>	None. Revenue could be unrestricted and available to the General Fund.
<b>Peer Usage</b>	Salem already has an operations fee in place Gresham, Corvallis, Hillsboro, Oregon City, Medford, Tigard, Tualatin
<b>Administrative Effort</b>	Low-to medium if a flat rate Higher effort if different levels of fees are assessed on different customers
<b>Timeline</b>	Will vary with fee complexity
<b>Who Pays</b>	Utility account holders
<b>Equity Implications</b>	Technically regressive since fee is the same regardless of property value or income.
<b>Environmental Sustainability Implications</b>	N/A
<b>Local Economic Implications</b>	N/A
<b>Revenue Potential</b>	<ul style="list-style-type: none"><li>● High</li><li>● Yield will vary with fee level</li></ul>
<b>Overall Viability</b>	More viable.



20. PARKING TAX INCREASE	
<b>Description</b>	The City of Salem has had a Downtown Parking District since 1976 to provide funding for economic promotion and public parking within Salem’s downtown core. The District is supported by tax assessments on all for-profit businesses of a proportionate share of the costs of the District, calculated on type of business, square footage and associated customer parking demand. Annual assessments are reported by category and currently range from \$460 for small businesses to \$145,000 for the retail category consisting of 87 businesses. Current revenues are collected in the Downtown Parking Fund and support the downtown through free parking, cleanliness and beautification efforts, and parking garage maintenance.
<b>Legal Authority</b>	Clear and unambiguous, already in place
<b>Legal Restrictions</b>	None
<b>Peer Usage</b>	At least 49 cities in the U.S. impose parking taxes, varying from 6-40%.
<b>Administrative Effort</b>	Low. Structure is already in place.
<b>Timeline</b>	Less than a year
<b>Who Pays</b>	All for-profit businesses in the parking district
<b>Equity Implications</b>	<ul style="list-style-type: none"><li>● Tax is structured to charge more to businesses who use more parking services.</li><li>● These costs may be passed along to customers, which has a disproportionate effect on those with lower socioeconomic status, since they use a higher portion of their income for goods and services.</li></ul>
<b>Environmental Sustainability Implications</b>	Could encourage the use of alternatives to cars, which has beneficial effects on emissions.
<b>Local Economic Implications</b>	Additional parking taxes could have negative effects on the perceived business climate of the City.
<b>Revenue Potential</b>	Currently Unknown
<b>Overall Viability</b>	More viable. <ul style="list-style-type: none"><li>● Probably best used for parking-related City services within the district.</li></ul>



<b>21. PAYMENT IN LIEU OF TAXES (FROM THE STATE GOVERNMENT)</b>	
<b>Description</b>	<p>A payment in lieu of tax (“PILOT”) is a payment made by a tax-exempt entity, like a government or non-profit organization, to a municipality to compensate for some of the cost of providing municipal services to that entity.</p> <p>The most significant entity in Salem would be the Oregon State Government.</p> <p>The City already receives an annual PILOT from the Salem Housing Authority and West Valley Housing Authority.</p>
<b>Legal Authority</b>	<p>The Council has broad authority to negotiate a PILOT agreement with the State. Would require legislative agreement.</p>
<b>Legal Restrictions</b>	<p>Needs agreement by the state legislature.</p>
<b>Peer Usage</b>	<p>According to a study by the Lincoln Institute of Land Policy in 2012, PILOTs worth more than \$92 million per year have been received by at least 218 localities in at least 28 states over the prior 12 years. That report found that many of these agreements were in the Northeast region of the US, and most of the payments come from higher education institutions, followed by hospitals.</p>
<b>Administrative Effort</b>	<p>Depends on the actions of the state legislature</p>
<b>Timeline</b>	<p>Unknown. House Bill 4072, establishing such taxes, has been showing signs of progress.</p>
<b>Who Pays</b>	<p>The State of Oregon</p>
<b>Equity Implications</b>	<p>N/A</p>
<b>Environmental Sustainability Implications</b>	<p>N/A</p>
<b>Local Economic Implications</b>	<p>N/A</p>
<b>Revenue Potential</b>	<p>Unknown. Would be a voluntary agreement with the state, so there is a wide range of possibilities. Recent conversations on House Bill 4072 indicate a payment between \$5 to \$6 million annually, but that is not guaranteed.</p>
<b>Overall Viability</b>	<p>Viability requires a change in state law, however, there are promising signs of state action. City has no control over the receipt or timing of funds.</p>





## 22, 23, 24: PAYROLL TAX (EMPLOYEE, EMPLOYER, OR JOINT)

<b>Description</b>	<p>Payroll taxes are levied on wages and salaries earned or sourced from within the taxing jurisdiction. The tax can be applied to self-employed people as well as those employed by others.</p> <ul style="list-style-type: none"><li>• The tax can take the form of a flat tax per employee, or a tax rate applied to taxable wages paid by an employer within the taxing jurisdiction.</li><li>• It can be levied on the employer based on the employee's wages, or it can be levied on the employee as a deduction from an employee's wages.</li><li>• This tax would not be the same as a local income tax, which would tax all income after adjustments under applicable income tax laws.</li></ul>
<b>Legal Authority</b>	<p>Authority clearly established. State constitutional home rule powers and Salem City Charter grants City Council broad authority over matters within the City's boundaries.</p> <ul style="list-style-type: none"><li>• Council may adopt tax by ordinance.</li><li>• Or tax could be placed on ballot by Council or petition.</li></ul>
<b>Legal Restrictions</b>	None
<b>Peer Usage</b>	Eugene, Canby, Transit Districts
<b>Administrative Effort</b>	High
<b>Timeline</b>	1 to 2 years
<b>Who Pays</b>	Employers and/or employees
<b>Equity Implications</b>	<ul style="list-style-type: none"><li>• The costs of a payroll tax paid by the employer could be passed on either to the employee through downward pressure on wages and salaries or to the consumer in the price of goods and services. However, this is less likely to occur in a more robust job market. The unemployment rate in Oregon is currently lower than during the entire period from 1976-2018.<sup>1</sup></li><li>• Structuring the tax as a rate applied to wages and salaries, rather than a flat amount, makes the tax more progressive.</li><li>• Employee-paid payroll tax is deductible on state and federal income taxes.</li></ul>
<b>Environmental Sustainability Implications</b>	None
<b>Local Economic Implications</b>	<ul style="list-style-type: none"><li>• A payroll tax with an employer-paid tax component could discourage new businesses and could also encourage existing businesses to move to a lower tax city, resulting in an overall loss in tax revenue for the city.</li><li>• Businesses could experience an impact on net profits as total payroll costs increase.</li></ul>
<b>Revenue Potential</b>	High
<b>Overall Viability</b>	Less viable, due to likely political complexity.

<sup>1</sup> <https://fred.stlouisfed.org/series/ORUR>



25. PERSONAL INCOME TAX	
<b>Description</b>	A tax on income of residents of Salem; may also be assessed on employees working within city limits.
<b>Legal Authority</b>	<p>State constitutional home rule powers and Salem City Charter grants City Council broad authority over matters within the City’s boundaries.</p> <ul style="list-style-type: none"> <li>● Council may adopt tax by ordinance.</li> <li>● Or tax could be placed on ballot by Council or petition.</li> </ul>
<b>Legal Restrictions</b>	None currently known
<b>Peer Usage</b>	<p>Portland, Multnomah County, Lane County Transit District</p> <p>Eugene has had several income tax proposals fail the public vote</p> <p>About a third of all states allow their counties, municipalities, and other local jurisdictions to impose an income tax. However, not all states have a local tax in every jurisdiction. Only five cities in Colorado impose the tax, for example, while Iowa has hundreds of school districts that levy income taxes.</p>
<b>Administrative Effort</b>	<ul style="list-style-type: none"> <li>● High, annual tax returns would be required</li> <li>● Salem could potentially contract collection out to the Oregon Dept. of Revenue or City of Portland Revenue Bureau, reducing administrative burden.</li> <li>● Such a tax would likely face significant political opposition making implementation difficult, lengthy, and increasing costs.</li> </ul>
<b>Timeline</b>	Two years or longer
<b>Who Pays</b>	Residents and any non-residents who work in city limits
<b>Equity Implications</b>	Income taxes can be structured progressively since you pay more if you earn more. The impact on low-income households would depend on the structure of the tax and what exemptions are included.
<b>Environmental Sustainability Implications</b>	None
<b>Local Economic Implications</b>	Impact on the City’s perceived business climate is uncertain. A higher local income tax rate could discourage in-migration and encourage workers to relocate, reducing economic activity and negatively impacting businesses in City limits.
<b>Revenue Potential</b>	<ul style="list-style-type: none"> <li>● High</li> <li>● Tax revenues would fluctuate with changes in personal income and would likely mirror economic conditions.</li> </ul>
<b>Overall Viability</b>	More viable.



## 26. PHOTO RED LIGHT CAMERAS AND/OR PHOTO SPEEDING CAMERAS

<b>Description</b>	<p>A citation for violation of ORS 811.265 (Driver failure to obey traffic control device) may be issued on the basis of photographs from a camera taken without the presence of a police officer.</p> <p>Photo Red Light Camera programs are most often put in place to promote public safety. It should be noted that the Salem Police Department enforces traffic laws for public safety, not for the purpose of generating revenue.</p>
<b>Legal Authority</b>	<ul style="list-style-type: none"><li>● Clear and unambiguous</li><li>● Revenue generated from the Photo Red Light Cameras could be used for the General Fund, net of any operational expenses.</li><li>● Specific authority for Photo Speeding Cameras is unknown</li></ul>
<b>Legal Restrictions</b>	<p>If a city chooses to operate a camera that complies <a href="#">ORS 810.434 (Photo red light)</a>, a citation for violation of <a href="#">ORS 811.265 (Driver failure to obey traffic control device)</a> may be issued on the basis of photographs from a camera taken without the presence of a police officer if certain conditions are met.</p> <p>ORS 810.434 Photo red light requires:</p> <ol style="list-style-type: none"><li>(1) Any city may, at its own cost, operate cameras designed to photograph drivers who:<ol style="list-style-type: none"><li>a. violate ORS 811.265 (Driver failure to obey traffic control device) by failing to obey a traffic control device; or</li><li>b. Violate the speed limit established in ORS 811.111 (Violating a speed limit) by 11 miles per hour or greater or violate the designated speed posted under ORS 810.180 (Designation of maximum speeds) by 11 miles per hour or greater.</li></ol></li><li>(2) Cameras operated under this section may be mounted on street lights or put in other suitable places.</li><li>(3) A city that chooses to operate a camera shall:<ol style="list-style-type: none"><li>a. Provide a public information campaign to inform local drivers about the use of cameras before citations are actually issued; and</li><li>b. Once each biennium, conduct a process and outcome evaluation for the purposes of subsection (4) of this section that includes:<ol style="list-style-type: none"><li>a) The effect of the use of cameras on traffic safety;</li><li>b) The degree of public acceptance of the use of cameras; and</li><li>c) The process of administration of the use of cameras.</li></ol></li></ol></li><li>(4) By March 1 of each odd-numbered year, each city that operates a camera under this section shall present to the Legislative Assembly the process and outcome evaluation conducted by the city under subsection (3) of this section.</li></ol> <p>Effective Jan 1, 2023, <a href="#">ORS 810.437</a> permits a citation for speeding to be issued on the basis of photographs from a camera and other technology, including but not limited to sensors, that measure the speed of a vehicle without the presence of a police officer if certain conditions are met.</p> <p>Specific legal restrictions on Photo Speeding Cameras are currently unknown.</p>
<b>Peer Usage</b>	<p>Salem currently operates 7 photo red light intersection approaches.</p> <p>Portland, Beaverton, Medford, Salem, Albany, Madras, Tigard, Wilsonville, and Newburg all utilize Photo Red Light Cameras as allowed by ORS 810.434.</p>



26. PHOTO RED LIGHT CAMERAS AND/OR PHOTO SPEEDING CAMERAS	
<b>Administrative Effort</b>	Currently unknown, depends on specific implementation
<b>Timeline</b>	1 to 2 years
<b>Who Pays</b>	Individuals violating ORS 811.265: Driver failure to obey traffic control device. This could be both residents and non-residents of the city.
<b>Equity Implications</b>	<p>The issuance of citations would directly affect only those violating traffic laws in intersections where the system is installed.</p> <p>A higher rate of compliance with red light signals may reduce collisions directly related to red light or speed violations and enhance public safety.</p>
<b>Environmental Sustainability Implications</b>	None
<b>Local Economic Implications</b>	N/A
<b>Revenue Potential</b>	<ul style="list-style-type: none"><li>• Very low.</li><li>• It is unknown if this program would generate any net revenue or incur ongoing liability.</li></ul>
<b>Overall Viability</b>	Less viable. This is not a solution for solving the City's structural deficit, however, it may be an appropriate cost-neutral public safety program to be further considered by the Police Department and City Council for expansion.



27. PRIVATE FOUNDATION ENDOWMENT	
<b>Description</b>	<p>A legal structure for accepting and managing pooled funds or donations, often in perpetuity, to earn interest. Interest revenues can be applied to annual funding needs as allowed by the endowment terms.</p> <p>This option would be for a private foundation to be formed or an existing foundation to be expanded, to create an ongoing revenue stream to fund services and/or to pay for capital projects.</p>
<b>Legal Authority</b>	ORS 128.322 outlines the responsibility a foundation has to use funds received for an endowment in a manner consistent with the donor's instructions.
<b>Legal Restrictions</b>	A private foundation endowment can invest funds at higher earnings rates, and higher risk, than the City could invest those same funds. ORS 294.035 governs the investment of public funds.
<b>Peer Usage</b>	<ul style="list-style-type: none"> <li>● Salem: Friends of Salem Public Library, Salem Fire Foundation, Salem Police Foundation, Salem Parks Foundation, Salem Public Library Foundation</li> <li>● Eugene: Eugene Parks Foundation, Eugene Public Library Foundation, the Friends of the Library, and the Police Foundation</li> <li>● Portland: Parks Endowment Fund</li> <li>● Corvallis: Friends of Corvallis Parks and Recreation</li> </ul>
<b>Administrative Effort</b>	<p>Initial fundraising would require significant effort, which would vary depending on the size of the principal needed. City staff would need to connect with this effort in order to ensure that the fundraising effort was consistent with the City's goals and services.</p> <p>Once created, management of an endowment would be handled by the private foundation, reducing the internal administrative effort required.</p>
<b>Timeline</b>	Very long. 5+ years
<b>Who Pays</b>	Private citizens who choose to donate to the foundation, or City taxpayers, through the sale of surplus property.
<b>Equity Implications</b>	Since donations would be voluntary, this option would be fair and not place an inequitable financial burden on low-income households.
<b>Environmental Sustainability Implications</b>	N/A
<b>Local Economic Implications</b>	N/A
<b>Revenue Potential</b>	Depends on size of endowment
<b>Overall Viability</b>	<p>Less viable.</p> <ul style="list-style-type: none"> <li>● Takes considerable time to produce revenue</li> </ul>



28. PROPERTY TAX ON VEHICLES	
<b>Description</b>	A property tax on vehicles would likely be structured as a flat fee (e.g., \$100/car/year) or an ad valorem tax proportional to car value (e.g., 0.5% of the value of the vehicle).
<b>Legal Authority</b>	Unknown. More legal research is required. <ul style="list-style-type: none"><li>● Under ORS 307.030, “All real property within this state and all tangible personal property situated within this state, except as otherwise provided by law, shall be subject to assessment and taxation in equal and ratable proportion.</li><li>● Under ORS 307.020, “tangible personal property” includes vehicles.</li><li>● However, no such vehicle property tax is known to exist in Oregon</li></ul>
<b>Legal Restrictions</b>	Unknown. More legal research is required.
<b>Peer Usage</b>	Some states, including Connecticut, Virginia, and Mississippi levy property taxes on vehicles. In Connecticut, the tax is collected by towns and cities.  In Boston, residents pay an annual excise tax of \$25 per thousand dollars of a vehicle’s value.  In Washington’s Sound Transit District, residents pay an annual Motor Vehicle Excise Tax based on the value of the vehicle and a depreciation schedule.  No known usage in Oregon.
<b>Administrative Effort</b>	Unclear. Compliance and monitoring would likely be a significant issue, as many residents would likely try to find ways to register their cars outside of City limits.
<b>Timeline</b>	Two years or more.
<b>Who Pays</b>	Owners of vehicles within City limits.
<b>Equity Implications</b>	Can make vehicle ownership more costly for low-income individuals
<b>Environmental Sustainability Implications</b>	In theory, marginally disincentivizes car ownership, which may have small effects on emissions.
<b>Local Economic Implications</b>	May incentivize car registration outside of City limits
<b>Revenue Potential</b>	Currently Unknown
<b>Overall Viability</b>	<ul style="list-style-type: none"><li>● Less viable</li><li>● Requires additional research</li><li>● Compliance and monitoring would likely be major issues.</li></ul>



29. RENTAL HOUSING FEE	
<b>Description</b>	A rental housing fee is a fee paid by a property owner or owner's agent that is renting an apartment or home.
<b>Legal Authority</b>	State constitutional home rule powers & Salem City Charter grants City Council broad authority over matters within the City's boundaries. <ul style="list-style-type: none"><li>● Council may adopt fee by ordinance.</li><li>● Or fee could be placed on ballot by Council or petition.</li></ul>
<b>Legal Restrictions</b>	N/A
<b>Peer Usage</b>	Eugene has a Rental Housing Door Fee "Door Fee" of \$10 per unit, or "door." This is used for ongoing service costs and Affordable Housing services related to renters and renter protections.  Beaverton, Corvallis, Gresham, Medford, and Portland have similar fees.
<b>Administrative Effort</b>	Unknown
<b>Timeline</b>	One to two years
<b>Who Pays</b>	<ul style="list-style-type: none"><li>● Technically landlords</li><li>● In all likelihood, cost gets passed on to renters, except in cases of booming housing supply. Since many leases are structured annually, this increase would be spread out over the course of the first year of fee implementation.</li></ul>
<b>Equity Implications</b>	About 55% of Salem households are renters. This fee would likely disproportionately impact lower-income residents.
<b>Environmental Sustainability Implications</b>	None
<b>Local Economic Implications</b>	If landlords perceive the fee to be too high, they might not register their unit(s).
<b>Revenue Potential</b>	One estimate places the number of rental housing units in Salem at 37,009. <sup>2</sup> A \$20 unit fee, assuming 75% is able to be collected, would provide about \$550,000 per year.
<b>Overall Viability</b>	More viable

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<sup>2</sup> 2020 Decennial Census estimate of housing units: 67,411. Owner-occupied housing unit rate, 2018-2022 from American Community Survey: 54.9%. This provides an estimate of 37,009 units of rental housing.



30. RESTAURANT TAX	
<b>Description</b>	Tax on sales of food and non-alcoholic beverages served by restaurants in Salem. The tax is typically applied as a rate and paid by customers on their restaurant bill.
<b>Legal Authority</b>	The City Council may implement a restaurant tax by ordinance without state enabling legislation. Alternatively, the fee may be placed on a ballot by the Council, by citizen initiative or by referendum petition. Revenue would be available to the General Fund.
<b>Legal Restrictions</b>	While ORS 317A.158 restricts commercial activity taxes based on the receipts from grocery sales, the definitions for ORS 317A.100 expressly exclude from preemption "(U) Local taxes collected by a restaurant or other food establishment on sales of meals, prepared food or beverages." More legal analysis might be needed to understand how this statute would affect any restaurant tax.
<b>Peer Usage</b>	Ashland, Yachats, and Cannon Beach. In 2021, Newport voters rejected such a tax.
<b>Administrative Effort</b>	If patterned after Ashland's process, businesses would remit the tax. After the initial registration of all eligible businesses, dedicated staff time would be required to post payments, work with business owners and enforce the tax uniformly. A portion of the proceeds may be retained by the restaurants to help defray costs.
<b>Timeline</b>	Two years or longer
<b>Who Pays</b>	<ul style="list-style-type: none"><li>● Restaurant patrons; residents and non-residents.</li><li>● Determining how much of this amount would be paid by out-of-town visitors vs. City residents would require additional research.</li></ul>
<b>Equity Implications</b>	There is disagreement over whether a restaurant tax is equitable. Some argue that low-income households spend a larger portion of their income on prepared food. However, multiple studies have shown that higher-income households spend a greater portion of their food budgets on prepared food. <sup>3</sup>
<b>Local Economic Implications</b>	Even if consumer behavior does not change in response to higher restaurant meal costs, it could have an effect on the City's perceived business climate.
<b>Revenue Potential</b>	<ul style="list-style-type: none"><li>● Currently unknown</li><li>● Revenue would fluctuate with changes in personal income and the economic environment.</li></ul>
<b>Overall Viability</b>	More viable.

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<sup>3</sup> [USDA: Higher Incomes and Greater Time constraints Lead to Purchasing More Convenience Foods](#)





<b>31. SALE OF SURPLUS PROPERTY</b>	
<b>Description</b>	Sale of surplus property owned by the City, which could be used to seed an endowment or used to cover one-time costs.
<b>Legal Authority</b>	More research needed into City code
<b>Legal Restrictions</b>	Individual parcels may have specific deed restrictions that limit their disposal; research should be conducted for each parcel.
<b>Peer Usage</b>	Unknown
<b>Administrative Effort</b>	The City would need to identify parcels that are not needed at this time. The amount of staff time depends on the process used to sell the property.
<b>Timeline</b>	Timing would vary, based on the specifics of each property
<b>Who Pays</b>	The purchaser of the property pays.
<b>Equity Implications</b>	Sale of public property could negatively impact future opportunities to serve residents. Many government services help those of lower means.
<b>Environmental Sustainability Implications</b>	N/A
<b>Local Economic Implications</b>	N/A
<b>Revenue Potential</b>	<ul style="list-style-type: none"><li>• Depends on specifics of property sold</li><li>• By nature, sales of public property are one-time events. They can be used to fund one-time events.</li><li>• If the funds are used to seed an endowment, they can be sustainable if properly managed.</li></ul>
<b>Overall Viability</b>	Less viable. <ul style="list-style-type: none"><li>• Not timely</li><li>• Could be used to fund one-time needs</li><li>• Not a solution for the structural deficit</li></ul>



### 32. SALES TAX: GENERAL

<b>Description</b>	A retail sales tax is an excise tax levied on a range of goods and services at the point of final sale to an end-user or consumer. It can be imposed as a general sales tax applying to a broad range of goods and services. It can also be made quite narrow and selective in the range of goods and services subject to the tax (see also 33. <i>Sales Tax: Selective</i> ). The tax can be structured to apply to leases and rentals as well as sales.
<b>Legal Authority</b>	City charter gives council broad authority, but there is no precedence in Oregon.
<b>Legal Restrictions</b>	State law prevents local retail sales taxes on alcohol, tobacco and vape products, and real estate transactions. Local taxes on motor vehicle fuel, transient lodging, and marijuana come with specific requirements.
<b>Peer Usage</b>	Oregon has no general retail sales taxes.  Forty-five states impose general sales taxes that apply to the sale or lease of most goods and some services. Many cities and counties across the nation also have local general sales taxes.
<b>Administrative Effort</b>	High  Because there is no existing infrastructure in Oregon to collect a general sales tax, the effort to implement, administer and collect a local general retail sales tax would be high, requiring several FTE to implement, administer, collect, and enforce.
<b>Timeline</b>	Two years or more
<b>Who Pays</b>	Purchasers of goods and services
<b>Equity Implications</b>	A broad, general retail sales tax is regressive because lower income households spend a larger percentage of their available income on goods and services subject to the tax.
<b>Environmental Sustainability Implications</b>	N/A
<b>Local Economic Implications</b>	<ul style="list-style-type: none"> <li>Businesses may experience an increase in costs associated with administration of a tax that is generally not applied in Oregon. This could be mitigated by allowing businesses to withhold some of the tax to help cover administrative costs.</li> <li>Changes in consumer spending may occur due to tax-avoidance behavior. Local sales tax is sensitive to interjurisdictional competition. Previous studies estimate that a 1 percent rate differential in local sales tax leads to a 3 to 7 percent decrease in retail sales.</li> </ul>
<b>Revenue Potential</b>	<ul style="list-style-type: none"> <li>High. Revenue would depend on the structure and rates of the tax, and the range of goods and services to which the tax would apply.</li> <li>Tax revenues would fluctuate with general economic conditions.</li> </ul>
<b>Overall Viability</b>	More viable. <ul style="list-style-type: none"> <li>A general sales tax has never been implemented in Oregon, so it may face resistance from voters.</li> </ul>



<b>33. SALES TAX: SELECTIVE</b> Includes any “Sin Taxes”	
<b>Description</b>	A retail sales tax is an excise tax levied on a range of goods and services at the point of final sale to an end-user or consumer. It can be made quite narrow and selective in the range of goods and services subject to the tax. It can also be imposed as a general sales tax applying to a broad range of goods and services (see also 32. <i>Sales Tax: General</i> ).
<b>Legal Authority</b>	City charter gives council broad authority, but there is little precedence in Oregon outside of marijuana, transient lodging, and gas taxes.
<b>Legal Restrictions</b>	State law prevents local retail sales taxes on alcohol, tobacco and vape products, and real estate transactions. Local taxes on motor vehicle fuel, transient lodging, and marijuana are restricted.
<b>Peer Usage</b>	Several selective retail sales taxes are in place in Oregon. The state and a number of cities and counties, including Salem, charge taxes on transient lodging and marijuana sales.
<b>Administrative Effort</b>	High. Would likely require several FTE to implement, administer, collect, and enforce.
<b>Timeline</b>	Two years or more
<b>Who Pays</b>	Purchasers of goods and services
<b>Equity Implications</b>	<ul style="list-style-type: none"><li>• Sales taxes are regressive because lower income households spend a larger percentage of their available income on goods and services subject to the tax.</li><li>• Selective, targeted retail sales taxes can be much less regressive, in particular when applied to goods and services that are non-essential or luxury purchases.</li></ul>
<b>Environmental Sustainability Implications</b>	Sales taxes targeting goods or services that have impacts on the environment may incentivize or disincentivize climate-friendly purchases.
<b>Local Economic Implications</b>	<ul style="list-style-type: none"><li>• Businesses may experience an increase in costs associated with administration of a tax that is generally not applied in Oregon. This could be mitigated by allowing businesses to withhold some of the tax to help cover administrative costs.</li><li>• Changes in consumer spending may occur due to tax-avoidance behavior. Local sales tax is sensitive to interjurisdictional competition. Previous studies estimate that a 1 percent rate differential in local sales tax leads to a 3 to 7 percent decrease in retail sales.</li></ul>
<b>Revenue Potential</b>	<ul style="list-style-type: none"><li>• Depends on goods and/or services selected for the tax</li><li>• Revenue would depend on the structure and rates of the tax, and the range of goods and services to which the tax would apply.</li><li>• Tax revenues would fluctuate with general economic conditions.</li></ul>
<b>Overall Viability</b>	More viable.



34. SOLID WASTE COLLECTION FEE	
<b>Description</b>	<ul style="list-style-type: none"><li>• This would be a fee paid to the City from its waste collection business(es), based on hauler revenue.</li><li>• It would appear as a flat fee on top of (e.g., \$10) or a percentage of (e.g., 1%), users' solid waste collection bills</li></ul>
<b>Legal Authority</b>	Clear and unambiguous, but unknown precedence in Oregon.
<b>Legal Restrictions</b>	N/A
<b>Peer Usage</b>	None known. In previous years, Eugene City Council has voted not to adopt proposals that would increase user fees associated with hauling solid waste.
<b>Administrative Effort</b>	Unknown
<b>Timeline</b>	Unknown
<b>Who Pays</b>	Solid waste collection users
<b>Equity Implications</b>	Residential rate increases are based on service levels which would mean that an additional fee would disproportionately impact those that are low-income.
<b>Environmental Sustainability Implications</b>	When residential customers perceive rates to be too high, they might haul their own garbage or illegally dump garbage creating additional disposal costs and potential environmental hazards. Customers may also be more likely to place unallowable items in recycling or yard debris carts creating contamination in an attempt to lower their monthly bill by reducing the size of their garbage cart. Cost is also a driver when residents and businesses are looking to clean up or otherwise improve property, on construction/demolition projects where disposal costs impact the overall cost of a project, and when nuisance abatement or the disposal of abandoned property that is paid for by businesses or local government.
<b>Local Economic Implications</b>	N/A
<b>Revenue Potential</b>	Currently Unknown
<b>Overall Viability</b>	Less viable.



35. SPECIAL DISTRICT(S) FORMATION	
<b>Description</b>	Special districts are governmental entities that provide a single service or a group of services within a delineated local service area. Oregon state law authorizes formation of many different special districts for particular purposes. Each special district has services, formation requirements, governance structure, revenue authority, and other powers and limitations described in the Oregon statutes, usually in a “principal Act” for each type of district.
<b>Legal Authority</b>	<ul style="list-style-type: none"> <li>● The formation process for most types of special districts is covered in ORS Chapter 198 – “Special Districts Generally” and ORS Chapter 255 – “Special District Elections”. Some types have additional formation requirements that are found in the district’s principal Act.</li> <li>● Applicable law also addresses annexation to an existing special district. Formation of or annexation to a special district requires voter approval.</li> </ul>
<b>Legal Restrictions</b>	See above
<b>Peer Usage</b>	Special districts have a long history and are found throughout Oregon. Most districts provide services in rural or unincorporated urban areas but, as long as there is no duplication of services, special districts may also provide services within city boundaries.
<b>Administrative Effort</b>	Very High
<b>Timeline</b>	3-5 years or longer. Very political process.
<b>Who Pays</b>	Owners of taxable property would be liable for district property taxes as well as city property taxes. A district may also be able to charge fees or assessments for services provided.
<b>Equity Implications</b>	The additional property taxes levied by a district in Polk County would increase the overall tax load within the city and could be a burden to households with limited income, though this is true of nearly any tax. This would not occur in Marion County because the County is already at levels where taxes are compressed.
<b>Environmental Sustainability Implications</b>	<ul style="list-style-type: none"> <li>● Likely none</li> <li>● Depends on special district(s) specifics</li> </ul>
<b>Local Economic Implications</b>	Increased property taxes in Polk County could affect housing prices
<b>Revenue Potential</b>	<p>Special districts are a viable funding option for ongoing service costs because they can be used to fund certain City services, and the City would not be legally required to levy less than the current General Fund permanent rate. However, voters very likely would expect the City to levy less property taxes if spinning out a special district.</p> <p>The potential impact of property tax compression should be particularly examined and understood.</p>
<b>Overall Viability</b>	Less viable



<b>36. STREET LIGHTING DISTRICT</b>	
<b>Description</b>	A street lighting district is a special district formed to provide street lighting services for the specified geographical area.
<b>Legal Authority</b>	ORS 372 provides the legal ability to create a highway/street lighting district. “The boundary lines of the district shall include only territory that abuts a portion, not less than 600 feet in length, of a highway.” [Amended by 1971 c.514 §3]. With the limited territory allowed under this type of district, its utility is limited to street/highway lights, and no other road-related kinds of services. The principal Act describes the governing structure, service areas, revenue authority, and debt authority.
<b>Legal Restrictions</b>	N/A
<b>Peer Usage</b>	Clackamas County (including Happy Valley), White City Salem has a streetlight fee, but it is not applicable to a specific district.
<b>Administrative Effort</b>	High
<b>Timeline</b>	Unclear
<b>Who Pays</b>	Property owners
<b>Equity Implications</b>	A special district is established and levies property taxes only with the approval of its voters.
<b>Environmental Sustainability Implications</b>	N/A
<b>Local Economic Implications</b>	Any increase in property taxes increases the costs of property and housing
<b>Revenue Potential</b>	Special districts are subject to property tax limitations under the Oregon Constitution, including compression of property tax revenue under certain conditions.  After the creation of a new special district, the city’s permanent maximum property tax rate limit would not change. Tax revenue that might have been budgeted on the transferred services (street lighting) would now be available to fund other services.
<b>Overall Viability</b>	Less viable.



37. SWEETENED BEVERAGES DISTRIBUTOR TAX	
<b>Description</b>	A distributor tax on sweetened beverages is an excise tax levied on distributors of sweetened beverages that are distributed within city limits.
<b>Legal Authority</b>	<ul style="list-style-type: none"> <li>● Unclear</li> <li>● In 2018, Oregon Measure 103 - the “Ban Tax on Groceries Initiative”- would have prevented local governments from taxing soda or sugary beverages. This measure failed with only 42.7% voting in favor.</li> </ul>
<b>Legal Restrictions</b>	A commercial activity tax on sweetened beverages may be prohibited by ORS 317A.158, which excludes receipts on retail sales of groceries from a taxpayer’s commercial activity. Further legal analysis is needed to confirm.
<b>Peer Usage</b>	<ul style="list-style-type: none"> <li>● No cities in Oregon.</li> <li>● No city in states without a retail sales tax (Alaska, Delaware, Montana, New Hampshire, and Oregon) has an excise tax on the distribution of sweetened beverages.</li> <li>● Albany, California; Berkeley, California; Boulder, Colorado; Oakland, California; Philadelphia, Pennsylvania; San Francisco, California; and Seattle, Washington.</li> </ul>
<b>Administrative Effort</b>	High
<b>Timeline</b>	2-5 years
<b>Who Pays</b>	<ul style="list-style-type: none"> <li>● The tax would be collected and remitted by distributors at the time of initial distribution.</li> <li>● Would likely be passed onto consumers at the point of sale through an increased product price.</li> </ul>
<b>Equity Implications</b>	In general, excise taxes on retail products are considered regressive because lower income households typically spend a much larger percentage of their available income on goods subject to the tax. However, such taxes marginally disincentivize soda consumption, which has some public health benefits.
<b>Environmental Sustainability Implications</b>	N/A
<b>Local Economic Implications</b>	<ul style="list-style-type: none"> <li>● This tax could drive consumers to grocery shop or dine outside of City limits.</li> <li>● It could also increase costs for restaurant and bar owners that purchase sweetened beverages from distributors, reducing their profit margins and discouraging them from doing business in Salem.</li> </ul>
<b>Revenue Potential</b>	The amount of revenue collected from this tax would depend on the tax rate per ounce, and the range of sweetened beverages to which the tax would apply.
<b>Overall Viability</b>	Less viable.



### 38. TOLLS ON MARION STREET OR CENTER STREET BRIDGES

<b>Description</b>	Tolls are monetary charges required to pass over a bridge or to travel on a road.
<b>Legal Authority</b>	Authority from state statute for municipalities to issue tolls is unclear.
<b>Legal Restrictions</b>	Oregon Department of Transportation owns and operates both bridges. The City does not have authority over them.
<b>Peer Usage</b>	<ul style="list-style-type: none"><li>• The Abernethy Bridge on I-205 near Oregon City will have tolls upon completion in 2025. This bridge toll is to be administered by the Oregon Department of Transportation.</li><li>• The Oregon Department of Transportation will also soon introduce the first highway tolls in the state near Portland next year.</li></ul>
<b>Administrative Effort</b>	N/A
<b>Timeline</b>	N/A
<b>Who Pays</b>	N/A
<b>Equity Implications</b>	N/A
<b>Environmental Sustainability Implications</b>	N/A
<b>Local Economic Implications</b>	N/A
<b>Revenue Potential</b>	N/A
<b>Overall Viability</b>	Viability requires a change in state law. Not currently viable due to legal authority over the bridges. Oregon Department of Transportation controls the bridges.





<b>39. TRANSIENT OCCUPANCY TAX INCREASE</b>	
<b>Description</b>	A transient occupancy tax (TOT, also known as a transient lodging tax or TLT) is levied as a rate applied to the cost of rentals of temporary lodging. The tax is collected from hospitality providers (hotels, motels, lodges, bed & breakfasts) and RV parks and campgrounds, including private, city, county, and state. Federal parks are exempt.
<b>Legal Authority</b>	<ul style="list-style-type: none"><li>● Clear and unambiguous</li><li>● City already has a TOT, which is 9% of total gross rents (includes cleaning fees, pet fees, etc.)</li><li>● Would require a charter change</li></ul>
<b>Legal Restrictions</b>	State law and the City Charter the revenue from the City's tax must continue to go to the Cultural and Tourism fund.
<b>Peer Usage</b>	Very common. City already has a TOT.
<b>Administrative Effort</b>	Low
<b>Timeline</b>	Less than 1 year
<b>Who Pays</b>	Primarily non-residents
<b>Equity Implications</b>	An increase in room rates would disproportionately affect those without stable housing or in transition.
<b>Environmental Sustainability Implications</b>	N/A
<b>Local Economic Implications</b>	<ul style="list-style-type: none"><li>● Depending on the size of any rate increase, this could make Salem lodging less competitive and cause some visitors to obtain lodging outside the City.</li><li>● A large enough increase in TOT could leave revenue unchanged or could reduce revenue</li></ul>
<b>Revenue Potential</b>	Currently unknown
<b>Overall Viability</b>	More viable.



<b>40. URBAN RENEWAL - INCREASE FROZEN BASE</b>	
<b>Description</b>	<p>The City's Urban Renewal Agency could permanently increase the frozen base, which would result in less tax increment dollars for the Agency but more City General Fund dollars.</p> <p>Each Urban Renewal Area has a 'frozen base', which is the assessed value in the Area at its creation. The tax revenue from the frozen base is distributed to all the overlapping taxing districts according to their rates. Property taxes based on the assessed value in excess of the frozen base are directed to the Area. An Urban Renewal Agency can choose to 'raise' its Frozen Base if the tax increment is not needed to pay indebtedness, thereby increasing the revenue to the overlapping districts and diminishing the annual revenue directed to the Urban Renewal Area.</p>
<b>Legal Authority</b>	ORS 457 enables Tax Increment Financing, the mechanism behind Urban Renewal.
<b>Legal Restrictions</b>	Both temporary and permanent frozen base increases are authorized under ORS 457.455.
<b>Peer Usage</b>	Eugene is planning to increase their Urban Renewal frozen base.
<b>Administrative Effort</b>	This would be implemented through the budget process and submittal of the Form UR-50 to the Tax Assessor.
<b>Timeline</b>	6 months to a year
<b>Who Pays</b>	The Urban Renewal Agency receives less revenue each year. Property taxes for individual property owners do not change.
<b>Equity Implications</b>	Increasing the frozen base may limit the ability of the urban renewal district to have a meaningful impact on the redevelopment of land and improvements to the public realm within the district.
<b>Environmental Sustainability Implications</b>	N/A
<b>Local Economic Implications</b>	Less revenue to urban renewal agency and district
<b>Revenue Potential</b>	Currently Unknown
<b>Overall Viability</b>	More viable.



41. VACANCY TAX (EMPTY DWELLING FEE)	
<b>Description</b>	A vacancy tax is a tax levied on property owners who have vacant properties. The purpose of a vacancy tax is to disincentivize keeping properties empty, thus increasing the housing supply for renters. Alternatively, an Empty Dwelling Fee or Fine could be charged on properties or parcels that remain unused for an extended period.
<b>Legal Authority</b>	Currently unknown
<b>Legal Restrictions</b>	A Vacancy Tax by means of property taxes is restricted by Article 1 section 32: Section 32. Taxes and duties; uniformity of taxation. No tax or duty shall be imposed without the consent of the people or their representatives in the Legislative Assembly; and <b>all taxation shall be uniform on the same class of subjects within the territorial limits of the authority levying the tax.</b>
<b>Peer Usage</b>	No city in Oregon currently has a vacancy tax, though the City of Portland's Housing Advisory Committee (PHAC) recently evaluated an Empty Dwelling Fee.  Cities with such taxes/fees include Oakland, Washington DC, and San Francisco (commercial properties)
<b>Administrative Effort</b>	High
<b>Timeline</b>	2-5 years
<b>Who Pays</b>	Property owners who have properties that are vacant for more than an allowable time period
<b>Equity Implications</b>	Designed to lower housing costs, creating a disproportionate benefit to low-income households. The intent of this fee would be to provide a disincentive for property owners to leave habitable properties vacant, thereby increasing the supply of housing in the city and reducing market-rate rents.
<b>Environmental Sustainability Implications</b>	N/A
<b>Local Economic Implications</b>	<ul style="list-style-type: none"><li>● It could have a marginally counter-productive impacts on property development if lot owners decide not to develop homes to avoid the tax.</li><li>● Could have a negative impact on the City's perceived business climate.</li><li>● On the other hand, however the fee could also encourage development of vacant properties, bring more residents into City limits and improving local economic activity, leading to a healthier overall business climate.</li></ul>
<b>Revenue Potential</b>	Currently unknown
<b>Overall Viability</b>	Less viable.