



City of Salem
Revenue Task Force
Packet 4:
High-Interest Revenue Options

April 2024



OVERVIEW

In March 2024, Revenue Task Force Members identified seven revenue options as “high interest,” deserving more in-depth analysis for review, focusing on concrete dollar projections. These options are:

- [Local Option Property Tax Levy](#)
- [Personal Income Tax](#)
- [Annexing Developed Areas within the Urban Growth Boundary](#)
- [Corporate Income Tax](#)
- [Business License Fees](#)
- [Property Tax on Vehicles](#)
- [Intergovernmental agreements and entities outlined in ORS 190](#)

The projected revenues identified for these options are:

REVENUE OPTION	LOWER BOUND REVENUE ESTIMATE	UPPER BOUND REVENUE ESTIMATE
Local Option Property Tax Levy	\$1,076,798	\$55,719,814
Personal Income Tax	\$113,301	\$91,299,643
Annexing Developed Areas Within the Urban Growth Boundary	-\$30,306,015	-\$8,519,846
Corporate Income Tax	\$251,172	\$5,023,430
Business License Fees	\$8,000	\$3,960,000
Property Tax on Vehicles	\$1,167,972	\$35,039,161
Intergovernmental Agreements and Entities	N/A – See Detailed Information	N/A – See Detailed Information



I. LOCAL OPTION PROPERTY TAX LEVY

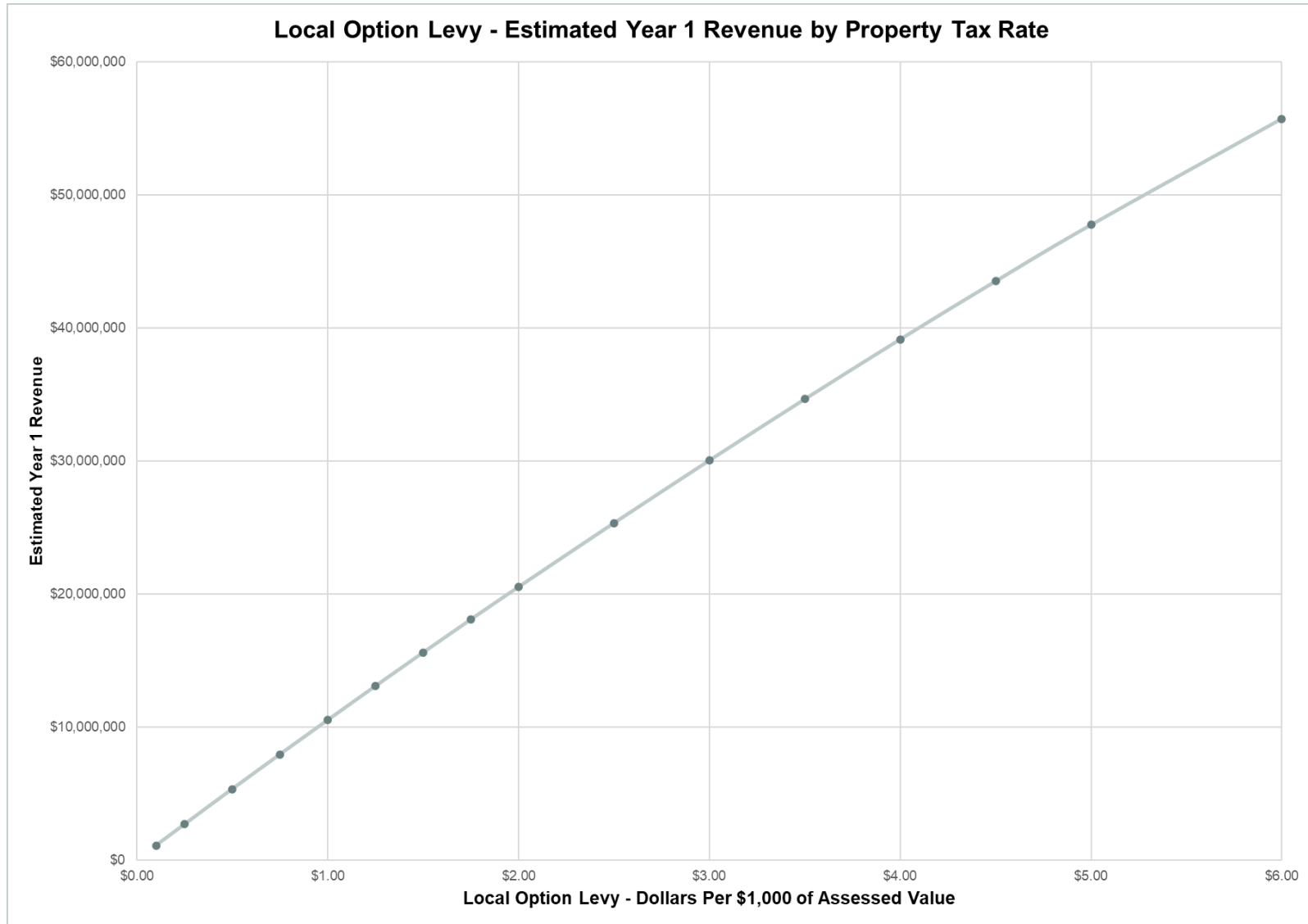
16. LOCAL OPTION PROPERTY TAX LEVY	
Description	A local option levy is a temporary property tax that is paid by all owners of taxable property within the city limits. The city could impose a local option levy for general fund services for a maximum of five years or for capital projects for up to 10 years.
Legal Authority	Clear and unambiguous
Legal Restrictions	New or additional property taxes must be approved by a majority of the people voting in a May or November election.
Peer Usage	Very common throughout the state
Administrative Effort	Low. Property taxes are administered by counties
Timeline	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).
Who Pays	<ul style="list-style-type: none">• The tax is paid by all owners of taxable property within city limits. Property owners include businesses and residences.• Businesses may pass the costs of the tax onto their customers.
Equity Implications	<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>
Environmental Sustainability Implications	N/A
Local Economic Implications	It would slightly increase the 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 taxpayers not paying the full tax rate.
Revenue Potential	<ul style="list-style-type: none">• Variable, depends on the tax level chosen• 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.• Some Marion County properties are already subject to compression.
Overall Viability	<ul style="list-style-type: none">• More viable.• Local option levies are familiar and understandable to the public, which helps with political feasibility versus a new type of revenue source.• The potential impact of tax compression should be examined in further depth when modeling the actual revenue derived from a proposed tax amount• 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.

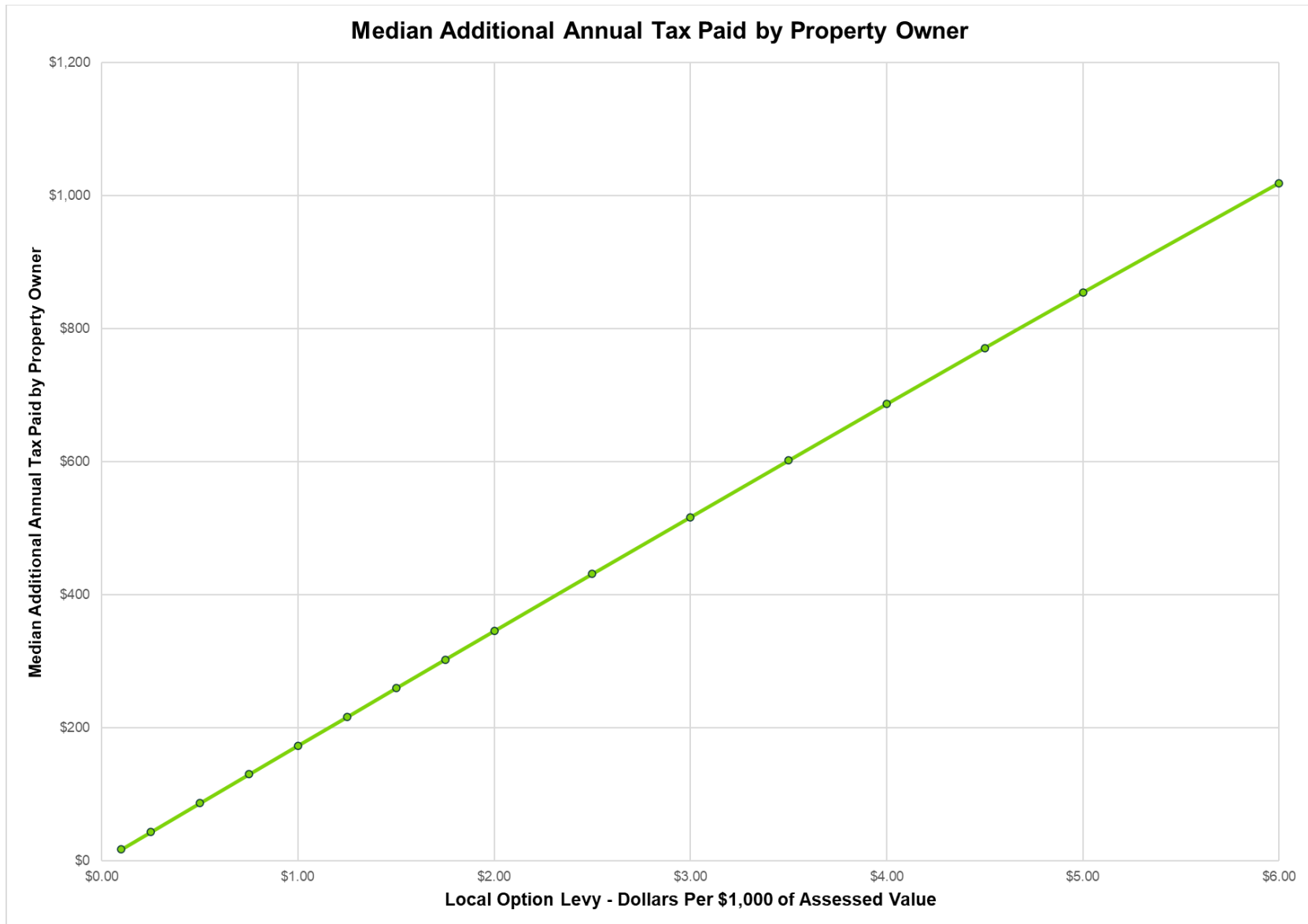


A. LOCAL OPTION PROPERTY TAX LEVY REVENUE MODELING

Potential revenue from a local option levy was projected using a city staff-created model that was last updated in January 2023. This model was validated by Moss Adams consultants during a previous engagement.

Rate Dollars Per \$1,000 of Assessed Value (%)	Percent Tax	Estimated Year 1 Total Revenue	Median Additional Annual Tax Paid by Property Owner
\$0.10	0.010%	\$1,076,798	\$17
\$0.25	0.025%	\$2,680,444	\$43
\$0.50	0.050%	\$5,327,944	\$87
\$0.75	0.075%	\$7,935,455	\$130
\$1.00	0.10%	\$10,512,867	\$173
\$1.25	0.13%	\$13,062,830	\$216
\$1.50	0.15%	\$15,585,855	\$260
\$1.75	0.18%	\$18,070,913	\$303
\$2.00	0.20%	\$20,513,754	\$346
\$2.50	0.25%	\$25,316,089	\$431
\$3.00	0.30%	\$30,028,197	\$517
\$3.50	0.35%	\$34,635,278	\$602
\$4.00	0.40%	\$39,134,159	\$687
\$4.50	0.45%	\$43,505,807	\$771
\$5.00	0.50%	\$47,738,547	\$854
\$6.00	0.60%	\$55,719,814	\$1,019







II. PERSONAL INCOME TAX

25. PERSONAL INCOME TAX	
Description	A tax on income of residents of Salem; may also be assessed on employees working within city limits.
Legal Authority	<p>State constitutional home rule powers and Salem city Charter grant the City Council broad authority over matters within the city's boundaries.</p> <ul style="list-style-type: none">• Council may adopt tax by ordinance.• Or tax could be placed on the ballot by Council or petition.
Legal Restrictions	None currently known
Peer Usage	<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>
Administrative Effort	<ul style="list-style-type: none">• High, annual tax returns would be required• Salem could potentially contract collection out to the Oregon Dept. of Revenue or City of Portland Revenue Bureau, reducing administrative burden.• Such a tax would likely face significant political opposition making implementation difficult, lengthy, and increasing costs.
Timeline	Two years or longer
Who Pays	Residents and any non-residents who work in city limits
Equity Implications	<p>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.</p>
Environmental Sustainability Implications	None
Local Economic Implications	<p>The 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.</p>
Revenue Potential	<ul style="list-style-type: none">• High• Tax revenues would fluctuate with changes in personal income and would likely mirror economic conditions.
Overall Viability	More viable.



A. PERSONAL INCOME TAX REVENUE MODELING

The U.S. Census Bureau's American Community Survey creates estimates for household income thresholds for nearly all jurisdictions across the country every few years. Using this income distribution information, the following model illustrates what an income tax could look like in Salem. The latest publicly available data (2022) reports the following income distribution for Salem households:

Income Group	Number of Households Estimate	Percent of Total Households
Total	68,667	100%
Less than \$10,000	4.9%	4.90%
\$10,000 to \$14,999	3.0%	3.00%
\$15,000 to \$24,999	7.6%	7.60%
\$25,000 to \$34,999	9.1%	9.10%
\$35,000 to \$49,999	11.1%	11.10%
\$50,000 to \$74,999	17.3%	17.30%
\$75,000 to \$99,999	13.4%	13.40%
\$100,000 to \$149,999	19.3%	19.30%
\$150,000 to \$199,999	7.8%	7.80%
\$200,000 or more	6.6%	6.60%
Median income (dollars)	\$70,220	N/A
Mean income (dollars)	\$90,806	N/A

The tricky thing when modeling income taxes is that **they are very customizable**. Think about filing your taxes this year, how many deductions you qualified for, and how your marginal tax rate changed on each additional dollar you earned.

B. THE MULTNOMAH COUNTY-BASED MODEL

This first iteration of the Salem income tax model is based on the structure of Multnomah County's personal income tax, in that:

- It defines a threshold over which income is subject to the tax
- This rate is constant for all earnings over this threshold



To provide a more conservative estimate, this model also assumes that 20% of projected revenues are unable to be collected.

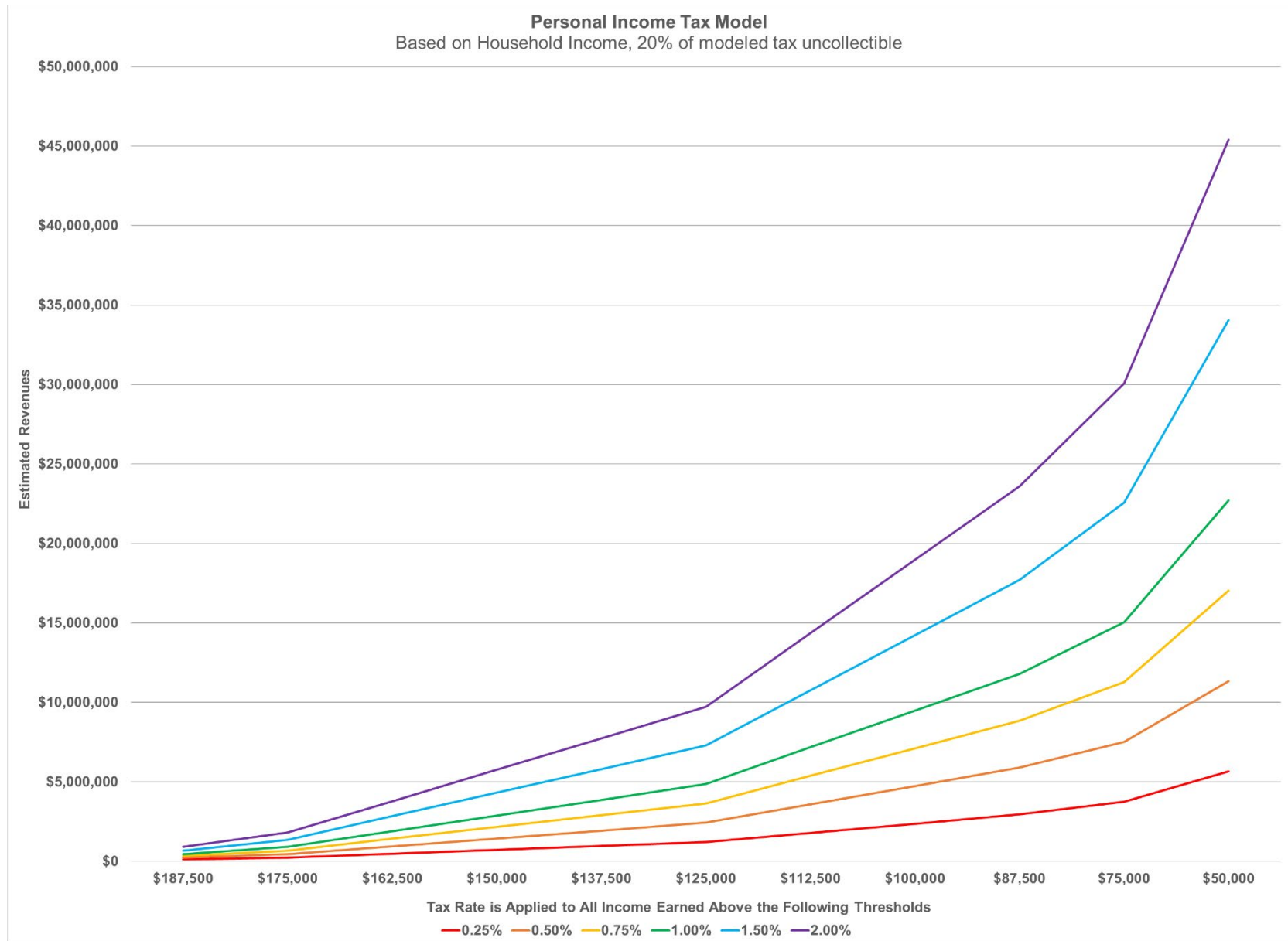
Tax Model Limitations

All revenue models are, by definition, simplified ways of understanding complex phenomena. By necessity, a model requires the use of the best data that is available to us, even if it is limited. The best public data on income distributions in Salem comes from the American Community Survey. However, this does mean that the model has important limitations that should be considered:

- This model assumes that all households within most of the income brackets represented above earn at the midpoint of each of these brackets. Because it has no upper end, however, households earning \$200,000 or more are assumed to earn exactly \$200,000. More specific information on household income distribution in Salem is unavailable.
- The “households” that the Census Bureau reports in this data may be different from the households that would be subject to the tax. This would depend on legal and implementation considerations. Households may also choose to move to avoid the tax.
- Importantly, **current revenue projections do not include any offsetting costs to collect the tax**. These costs are still unknown.



Taxes all Household Income Above:	Tax Rate:							
	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%
\$0	\$11,412,455	\$22,824,911	\$34,237,366	\$45,649,822	\$57,062,277	\$68,474,732	\$79,887,188	\$91,299,643
\$25,000	\$8,213,947	\$16,427,893	\$24,641,840	\$32,855,786	\$41,069,733	\$49,283,679	\$57,497,626	\$65,711,572
\$50,000	\$5,673,611	\$11,347,222	\$17,020,833	\$22,694,444	\$28,368,054	\$34,041,665	\$39,715,276	\$45,388,887
\$75,000	\$3,759,518	\$7,519,037	\$11,278,555	\$15,038,073	\$18,797,591	\$22,557,110	\$26,316,628	\$30,076,146
\$87,500	\$2,950,964	\$5,901,929	\$8,852,893	\$11,803,857	\$14,754,822	\$17,705,786	\$20,656,750	\$23,607,715
\$100,000	\$2,372,445	\$4,744,890	\$7,117,335	\$9,489,779	\$11,862,224	\$14,234,669	\$16,607,114	\$18,979,559
\$112,500	\$1,793,925	\$3,587,851	\$5,381,776	\$7,175,702	\$8,969,627	\$10,763,552	\$12,557,478	\$14,351,403
\$125,000	\$1,215,406	\$2,430,812	\$3,646,218	\$4,861,624	\$6,077,030	\$7,292,435	\$8,507,841	\$9,723,247
\$137,500	\$968,205	\$1,936,409	\$2,904,614	\$3,872,819	\$4,841,024	\$5,809,228	\$6,777,433	\$7,745,638
\$150,000	\$721,004	\$1,442,007	\$2,163,011	\$2,884,014	\$3,605,018	\$4,326,021	\$5,047,025	\$5,768,028
\$162,500	\$473,802	\$947,605	\$1,421,407	\$1,895,209	\$2,369,012	\$2,842,814	\$3,316,616	\$3,790,418
\$175,000	\$226,601	\$453,202	\$679,803	\$906,404	\$1,133,006	\$1,359,607	\$1,586,208	\$1,812,809
\$187,500	\$113,301	\$226,601	\$339,902	\$453,202	\$566,503	\$679,803	\$793,104	\$906,404





III. ANNEXING DEVELOPED AREAS WITHIN SALEM'S URBAN GROWTH BOUNDARY

A1. ANNEXING DEVELOPED AREAS WITHIN SALEM'S URBAN GROWTH BOUNDARY	
Description	<p>Annexation is the process of bringing land into the city boundaries in order to receive city services.</p> <ul style="list-style-type: none">• Annexation brings additional revenues through new property tax• However, annexation brings additional costs through new city spending on residents and areas within the new
Legal Authority	Clear and unambiguous
Legal Restrictions	<p>Annexations are governed by <u>ORS 222</u>. Annexations may be initiated by City Council or by a petition within a territory to be annexed. Annexation proposals may be voted upon at a general or special election.</p> <p>The vote must be approved BOTH by (1) a majority of citizens of Salem and (2) a majority of citizens of the territory to be annexed. The proposal for annexation may be voted upon by city citizens and territory citizens simultaneously or at different times, not more than 12 months apart.</p> <p>If Salem is annexing two territories (i.e., both Four Corners and Hayesville), the city must have separate ballot measures for each annexation, though both measures can be during the same election.</p> <p>There are rare conditions upon which a city can annex territory without a vote to electors, but this does not apply to this situation.</p>
Peer Usage	Annexations are a common facet of local government.
Administrative Effort	Medium. Property taxes are administered by counties, so the revenue collection effort is quite low. However, there would be considerable staff effort to provide service to new territories.
Timeline	<p>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).</p> <p>However, it could conceivably be done earlier through a special election.</p>
Who Pays	All landowners within a newly annexed area pay property taxes to the city.
Equity Implications	Additional property taxes marginally affect the cost of housing, which can theoretically lower the housing supply.
Environmental Sustainability Implications	N/A
Local Economic Implications	Would slightly increase the ongoing cost of property ownership in annexed areas.
Revenue Potential	<ul style="list-style-type: none">• The city could receive \$4.7 Million annually by annexing Four Corners and \$5.9 Million annually by annexing Hayesville



A1. ANNEXING DEVELOPED AREAS WITHIN SALEM'S URBAN GROWTH BOUNDARY	
	<ul style="list-style-type: none">• However, Salem would then have to provide services to these areas and the residents that live within them to maintain current service levels. These costs massively outweigh additional revenues.
Overall Viability	<ul style="list-style-type: none">• Not viable• Costs of providing services to these areas vastly outweigh new revenues that would be received by the city

A. ANNEXATION REVENUE MODELING

Using Marion County Assessor data provides property data for all 9,567 parcels in Four Corners and Hayesville. To calculate potential annexation revenue, the model applies Salem's tax rate to the assessed values of these properties to determine new revenue totals.

To estimate the expenses of maintaining current city service levels to new residents, data from the city's general fund expenses per person served and the general fund expenses per square mile served. For both Four Corners and Hayesville, these two figures are used to estimate the costs of providing services to these new areas and residents. The average of these two estimates is used to determine a single estimate for each area.

For both areas, the costs of providing services at a similar level are nearly three times the additional revenues that would be received by the city.

Areas	Annexation Additional Annual Property Tax Estimate	Estimated Additional General Fund Expenses to Maintain Service Levels	Expected Profitability (Or Loss) Due to Annexation
Four Corners	+\$4,764,696	-\$13,284,542	-\$8,519,846
Hayesville	+\$5,863,152	-\$17,021,473	-\$11,158,321
Both Territories	+\$10,627,848	-\$30,306,015	-\$19,678,167

City of Salem Current General Fund Expenses

City of Salem General Fund	\$186,200,000
City of Salem Population	181,000
General Fund Expenses Per Person	\$1,029
City of Salem Area (Sq Mi)	48.8
General Fund Expenses Per Square Mile	\$3,815,574



Four Corners

Population	16,740
Area	2.45
Population General Fund Expense Estimate (Population x Expenses Per Person)	\$17,220,928.18
Area Expense Estimate (Square Miles x Expenses Per Square Mile)	\$9,348,155.74
Annexation Expense Average Estimate (Average of the above two figures)	\$13,284,541.96

Hayesville

Population	21,891
Area	3.02
Population General Fund Expense Estimate (Population x Expenses Per Person)	\$22,519,912.71
Area Expense Estimate (Square Miles x Expenses Per Square Mile)	\$11,523,032.79
Annexation Expense Average Estimate (Average of the above two figures)	\$17,021,472.75



IV. CORPORATE INCOME TAX

7. CORPORATE INCOME TAX	
Description	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.
Legal Authority	Unclear
Legal Restrictions	Legal restrictions depend on the 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.
Peer Usage	<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 on business income with gross receipts above \$5 million.</p>
Administrative Effort	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 the imposition of the local tax. Efforts and costs to implement and administer a city corporate income tax would depend on whether the city could reach an agreement with the State Department of Revenue to collect the tax as a surcharge on existing State corporate tax.
Timeline	2-5 years
Who Pays	Corporations conducting business and deriving income within the city
Equity Implications	<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>
Environmental Sustainability Implications	None
Local Economic Implications	<ul style="list-style-type: none">• Could hurt the city's perception as a business-friendly environment• Businesses may choose to relocate
Revenue Potential	High, but like many revenue options, the amount varies depending on the tax rate(s) chosen
Overall Viability	<p>Less viable.</p> <ul style="list-style-type: none">• More legal analysis is needed to determine the ability to implement• Political complexity likely to be high• Revenue capacity is significant



A. CORPORATE INCOME TAX REVENUE MODELING

Revenue modeling for the Corporate Income Tax is complicated, mostly due to a lack of currently available data. The following is a usable first estimate of what this could be, but if the Task Force decides to move forward with this tax, the model would be updated with additional data directly from the Department of Revenue.

The methodology to build the potential revenue estimate is as follows:

1. Start with the City of Eugene staff analysis of a 10% surcharge on the State's corporate income tax, which would yield an estimated \$1.8 million per year.
2. To model revenue conservatively, assume that this 10% surcharge is paid on the lower corporate taxable income rate for the state (6.6%), meaning this 10% surcharge is equal to 0.66% of corporate taxable income.
3. This yields an estimate of City of Eugene's Corporate Taxable Income of \$273 million.
4. Adjust this estimate by the ratio of the GDP of the City of Eugene (\$20.9 Billion) to the City of Salem (\$24.0 Billion). This provides an initial estimate of the City of Salem's Corporate Taxable Income of \$314 Million.
5. Modify this estimate by assuming either (1) potential revenues are uncollectible and/or (2) the assumptions are not concrete and the model should adjust to be more conservative. This modification allows for 20% variability, resulting in an estimate of available corporate income in the City of Salem of \$251 Million.
6. Using this estimate of corporate revenue, a table of potential tax rates and their resulting incomes can be created.
7. Importantly, like the Eugene study, **this model assumes few significant additional costs for revenue collection** since it would be a surcharge on top of the state tax return that is already collected.



City Corporate Income Tax Rate	Surcharge Rate On Top of Existing State Corporate Income Tax (6.6% lower rate)	Salem Revenue Estimate
0.1%	1.52%	\$251,172
0.2%	3.03%	\$502,343
0.3%	4.55%	\$753,515
0.4%	6.06%	\$1,004,686
0.5%	7.58%	\$1,255,858
0.6%	9.09%	\$1,507,029
0.7%	10.61%	\$1,758,201
0.8%	12.12%	\$2,009,372
0.9%	13.64%	\$2,260,544
1.0%	15.15%	\$2,511,715
1.1%	16.67%	\$2,762,887
1.2%	18.18%	\$3,014,058
1.3%	19.70%	\$3,265,230
1.4%	21.21%	\$3,516,401
1.5%	22.73%	\$3,767,573
1.6%	24.24%	\$4,018,744
1.7%	25.76%	\$4,269,916
1.8%	27.27%	\$4,521,087
1.9%	28.79%	\$4,772,259
2.0%	30.30%	\$5,023,430



V. BUSINESS LICENSE FEES

4. BUSINESS LICENSE FEES	
Description	<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>
Legal Authority	<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 the 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">● Council may adopt fees by ordinance.● Or fee could be placed on the ballot by Council or petition.
Legal Restrictions	<p>None currently known</p>
Peer Usage	<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 the 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 from the Fire Department, including emergency contacts, the 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>



4. BUSINESS LICENSE FEES	
	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.
Administrative Effort	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.
Timeline	1-2 years
Who Pays	<ul style="list-style-type: none">• Businesses• All types of business taxes or fees may be passed onto consumers
Equity Implications	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.
Environmental Sustainability Implications	None
Local Economic Implications	<ul style="list-style-type: none">• Businesses could shift to nearby jurisdictions to avoid tax burden.• This could negatively impact the perceived business climate in Salem.
Revenue Potential	Variable. It depends on the fees chosen
Overall Viability	<ul style="list-style-type: none">• More viable• Can be administratively and politically complex• Revenue Potential is highly variable depending on the structure of the tax.

A. BUSINESS LICENSE FEES REVENUE MODELING

There are two primary ways that business license fees could be structured:

1. Flat amount(s) paid by businesses
2. Amounts proportional to businesses' incomes

Business license fees proportional to income are identical in potential revenue to a corporate income tax. To understand the potential revenues for proportional fees, see **Corporate Income Tax**.

To estimate businesses paying flat fees, a simple model is created, displayed below. Like other potential revenue options (e.g., Personal Income Tax). One potential issue is that flat fees are very customizable. So, if the Revenue Task Force pursues this option, the eventual fees at the end of the process could look different from the following model.



Assumptions:

- Approximately 5,200 businesses in Salem report wages.
- Fees are uniformly assessed to every business annually
- Assumes \$200,000 in collection and administrative costs
- 20% of projected revenues are unable to be collected

FEE ASSESSED TO EACH BUSINESS	PROJECTED REVENUE FROM FEES
\$50	\$8,000
\$100	\$216,000
\$150	\$424,000
\$200	\$632,000
\$250	\$840,000
\$300	\$1,048,000
\$350	\$1,256,000
\$400	\$1,464,000
\$500	\$1,880,000
\$600	\$2,296,000
\$700	\$2,712,000
\$800	\$3,128,000
\$900	\$3,544,000
\$1,000	\$3,960,000



VI. PROPERTY TAX ON VEHICLES

28. PROPERTY TAX ON VEHICLES	
Description	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).
Legal Authority	Unknown. More legal research is required. <ul style="list-style-type: none">• 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.• Under ORS 307.020, "tangible personal property" includes vehicles.• However, no such vehicle property tax is known to exist in Oregon
Legal Restrictions	Unknown. More legal research is required.
Peer Usage	<p>Some states, including Connecticut, Virginia, and Mississippi levy property taxes on vehicles. In Connecticut, the tax is collected by towns and cities.</p> <p>In Boston, residents pay an annual excise tax of \$25 per thousand dollars of a vehicle's value.</p> <p>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.</p> <p>No known usage in Oregon.</p>
Administrative Effort	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.
Timeline	Two years or more.
Who Pays	Owners of vehicles within city limits.
Equity Implications	Can make vehicle ownership more costly for low-income individuals
Environmental Sustainability Implications	In theory, marginally disincentivizes car ownership, which may have small effects on emissions.
Local Economic Implications	May incentivize car registration outside of city limits
Revenue Potential	Highly dependent on average car value in Salem
Overall Viability	<ul style="list-style-type: none">• Less viable• Requires additional research• Compliance and monitoring would likely be major issues.



A. PROPERTY TAX ON VEHICLES REVENUE MODELING

Using some basic assumptions, a simple model is created for potential revenues from a vehicle property tax in Salem. If the Task Force were to proceed with this revenue option, a more comprehensive model would be developed using data from the state Department of Transportation as available.

How Many Passenger Cars Are in Salem?

1. First, the number of people in Salem living in Marion County versus Polk County using Portland State University Data is determined.

SALEM POPULATION	POPULATION (2020)
Marion Salem	147,407
Polk Salem	26,120

2. Then, the proportion of people within each County that live within city limits is calculated.

Marion Population (2020)	345,920
Salem Population in Marion (2020)	147,407
% of Marion Population in Salem (2020)	42.6%
Polk County Population (2020)	87,433
Salem Population in Polk (2020)	26,160
% of Polk Population in Salem (2020)	29.9%

3. Then, using State Department of Transportation Data from 2023 on the number of passenger cars within each County, the number of passenger cars within city limits, assuming that Car distribution matches the population distribution can be estimated.

Number of Passenger Cars Registered as of December 31, 2023	
Marion County Passenger Cars:	291,284
Marion Salem Proportional Estimate of Cars:	124,125
Polk County Passenger Cars:	73,100
Polk Salem Proportional Estimate of Cars:	21,872
Total Salem Estimate of Passenger Cars Registered	145,997



The Unanswered Question: How Valuable is the Average Salem Car?

With a justifiable estimate for the number of passenger cars in Salem, the only thing missing is an estimate of the value of cars in Salem, data of which is not publicly available. If this revenue option were to be further pursued by the Revenue Task Force, additional data would be sought from the Department of Transportation, as available.

Revenue Model Assumptions and Outputs

- Like other revenue models, to create conservative estimates, there is an assumption that 20% fewer cars are able to be taxed than identified in the estimate of the number of passenger cars. This true untaxable number might be higher, especially if residents attempt to illegally avoid the tax by registering their cars outside city limits (e.g., at a family member or friend's house).
 - This reduces the estimate of taxable cars in Salem to 116,797
- This revenue model does not represent potential collection costs, assuming that such costs would be minimal if Salem were to reach an agreement with the state Department of Transportation to integrate such a tax into annual vehicle registrations. **This assumption may not be true.**
- Because the average car value in Salem can't yet be determined, the potential revenue amounts are based on a range of average car values.

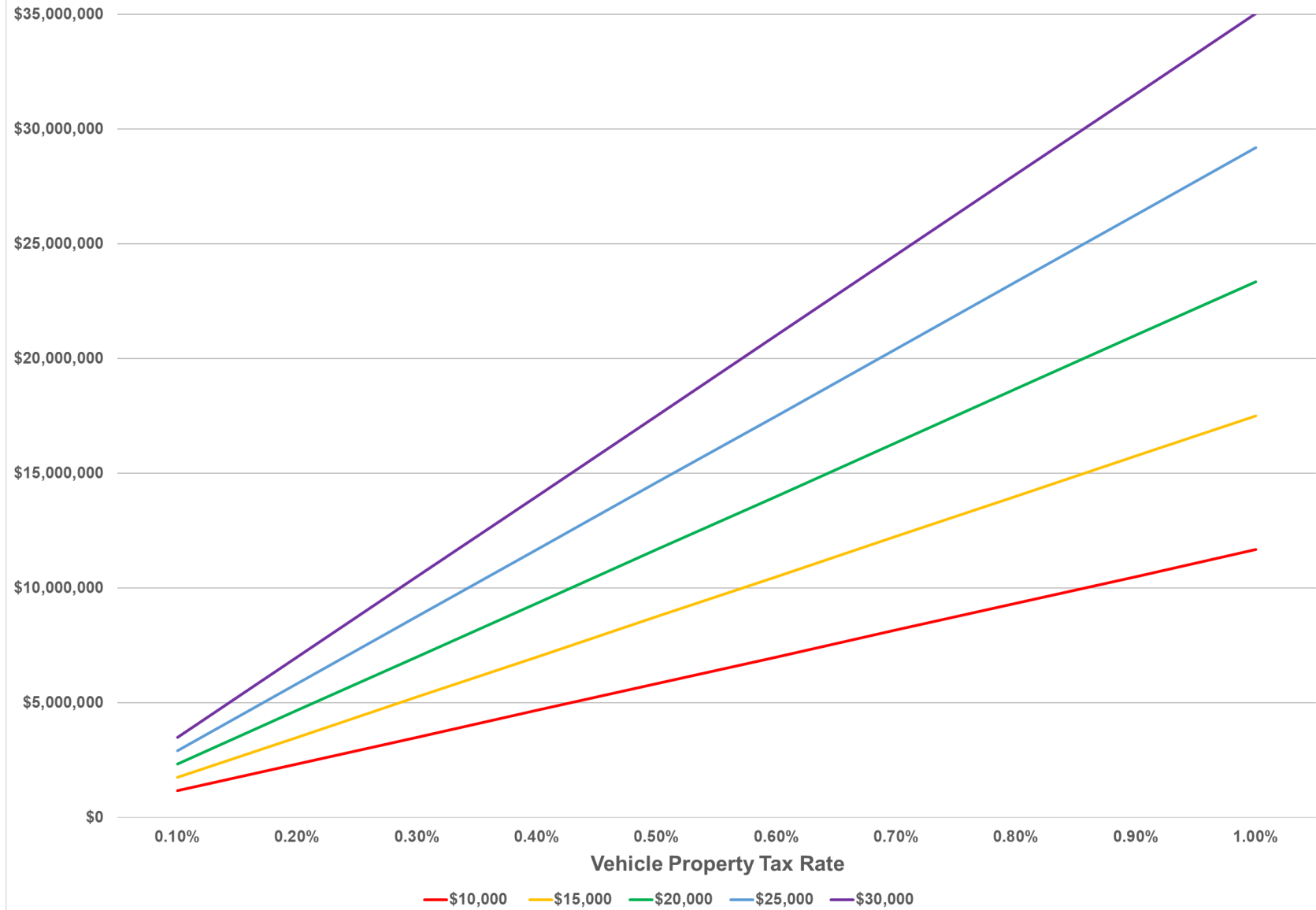
Revenue Model Results

Vehicle Property Tax Rate:	Assessed Value of an Average Car in Salem				
	\$10,000	\$15,000	\$20,000	\$25,000	\$30,000
0.10%	\$1,167,972	\$1,751,958	\$2,335,944	\$2,919,930	\$3,503,916
0.20%	\$2,335,944	\$3,503,916	\$4,671,888	\$5,839,860	\$7,007,832
0.30%	\$3,503,916	\$5,255,874	\$7,007,832	\$8,759,790	\$10,511,748
0.40%	\$4,671,888	\$7,007,832	\$9,343,776	\$11,679,720	\$14,015,664
0.50%	\$5,839,860	\$8,759,790	\$11,679,720	\$14,599,650	\$17,519,580
0.60%	\$7,007,832	\$10,511,748	\$14,015,664	\$17,519,580	\$21,023,496
0.70%	\$8,175,804	\$12,263,706	\$16,351,608	\$20,439,510	\$24,527,412
0.80%	\$9,343,776	\$14,015,664	\$18,687,552	\$23,359,440	\$28,031,329
0.90%	\$10,511,748	\$15,767,622	\$21,023,496	\$26,279,370	\$31,535,245
1.00%	\$11,679,720	\$17,519,580	\$23,359,440	\$29,199,301	\$35,039,161



Potential Revenue Collections from Average Assessed Car Values

Color Indicates Assumption of Average Salem Car Value





INTERGOVERNMENTAL AGREEMENTS AND ENTITIES, AS OUTLINED IN ORS 190

Oregon Revised Statutes (ORS) 190 provides a framework that gives local governments in Oregon wide latitude for intergovernmental cooperation. The formal legal forms of interlocal cooperation in Oregon come in two forms:

- **Intergovernmental Agreements (IGAs):** Formal agreements between two or more existing governments (e.g., Salem and Keizer), usually to provide one or more services in a joint manner
- **Intergovernmental Entities (IGEs):** New governmental entities with separate legal status and governing bodies from their constituent governments. The specific powers of an IGE vary depending on the exact agreement reached between the two or more governments that form the IGE. These new governments can be authorized with any powers, rights, or duties that “each separate party” has the power to do.

INTERGOVERNMENTAL AGREEMENTS (IGAS)

An intergovernmental agreement *could* be profitable (but would not be *guaranteed* to be profitable) for Salem in one of a few ways.

1. Salem could conceivably enter into an agreement with another government in which the other government provides a service to Salem. Salem would then provide funds to this government that cost less than what it costs for Salem to provide this service.
 - a. This comes with a large risk to Salem if the other government ever decides to terminate this agreement. There is also no guarantee that such an agreement could be formed.
2. Salem could enter into an agreement with another government to jointly provide services together (e.g., Library services). By having a larger organization provide the same level of service to larger areas, there are potentially some economies of scale that could lower costs (e.g., you would only need one Library information system for joint service provision, rather than two).
 - a. This is not guaranteed to be profitable. It is *possible* that joint service provision could be cheaper, but it is not certain. Additionally, cost savings would be realized in the medium-to-long terms (3-5 years). In the immediate term, costs would likely be higher as there are greater challenges in learning how to cooperatively provide services.



INTERGOVERNMENTAL ENTITIES (IGES)

New governments formed through IGEs have separate legal status from their constituent governments. They are entirely new governments. This comes with complications.

- Intergovernmental Entities have their own governing boards. Such a governing board would be separate from the Salem City Council, though the specific terms of the agreement forming the IGE could dictate that one or more Salem City Councillors serve on the board of the newly created IGE.
 - However, this means that forming an IGE would cause Salem to lose some of its sovereignty and control over its services. Power over whatever services are provided by the IGE would have to be shared with the other government(s) forming the IGE.
- As separate entities, IGEs own their assets. This means that Salem could have to transfer ownership over some of the assets it uses to provide services to this new government. Although the agreement could be structured to return these assets to the City if it were to dissolve, this transfer of assets creates additional risks for the City.

An intergovernmental entity could be profitable for Salem in two main ways:

1. Salem could create an IGE with another government in which the other government(s) provide(s) a disproportional amount of services and associated costs of services to both their jurisdiction(s) and to Salem. This is unlikely.
2. As a new government, IGEs can levy their property taxes with new rates, if approved via elections in all governments' jurisdictions. This means that a new IGE could collect its own, new property taxes on top of all existing jurisdictions within a given area.
 - a. However, due to the property tax limitations of Measures 5 and 50 (see Pre-Read Packet 1 if you need a refresher) there is a limited amount of property tax that can be collected from any given property. If the total property tax of all governments that provide services to a given parcel of land (e.g., the County, City, Transportation District, IGE, etc.) exceeds this threshold, then the amount that each government receives is *compressed* to reach this maximum \$10 per \$1,000 of property value limit.
 - b. This means, particularly in Marion County, new property taxes that are levied by an IGE **are very likely to reduce the amount of property tax received by the City.** Providing services through an IGE could *reduce* the revenues received by the City of Salem, completely contrary to the intent of the Revenue Task Force.



WHY REVENUES CANNOT BE FORECASTED

Given the above information, we cannot forecast potential revenues or cost reductions for providing services through an IGE or an IGA, at least for now. To rely on such a tool to increase revenues or reduce costs for the City, we would need:

1. Confirmation from other government(s) of their willingness and interest to participate in such interlocal cooperation
2. Specific information, both from other potential participating government(s) (and potentially Salem City Council) on *which specific services* could be provided through an IGA or IGE

Without this information, we cannot project potential cost savings or new revenues that could be raised through an IGA or an IGE.