



October 2023

Metro Construction Excise Tax Exemptions

Metro Ordinance 06-1115 created a new Metro Code Chapter 7.04 establishing a Construction Excise Tax (CET). The tax is effective July 1, 2006 and is imposed on every Person who engages in Construction within the Metro area.

The CET is determined by multiplying the Value of New Construction by the tax rate of 0.12% (0.0012 x Value of New Construction)

There are four ways to establish an exemption from paying the Construction Excise Tax. Only one of the four tests need be met to qualify for the exemption.

1. The Value of New Construction is less than or equal to \$100,000.

Documentation is simply based on the Value of New Construction.

2. The Person liable for the tax is exempt from federal income tax.

The Person who would be liable for the tax is a corporation exempt from federal income taxation pursuant to 42 U.S.C. 501(c)(3), or a limited partnership the sole general partner of which is a corporation exempt from federal income taxation pursuant to 42 U.S.C 501(c)(3); the Construction is used for residential purposes; and the property is restricted to being occupied by Persons with incomes less than 50 percent (50%) of the median income for a period of 30 years or longer.

This exemption requires a signed CET Exemption Certificate Application and supporting documentation. The required documentation is listed on the form. Applicants are to check the box indicating that they are applying for this exemption and check the boxes that indicate the supporting documentation that is attached. Submit the completed and signed certificate with the permit application.

The CET Exemption Certificate will be reviewed by Metro at a later date and Metro reserves the right to make the final determination of the qualification for this exemption. False statements or improper claims for exemptions shall be subject to the full penalties provided for at law.

3. The Construction is dedicated for charitable services.

The Person who would be liable for the tax is exempt from federal income taxation pursuant to 42 U.S.C. 501 (c)(3); and the Construction is dedicated for the purpose of providing charitable services to Persons with income less than 50 percent (50%) of the median income.

This exemption requires a signed CET Exemption Certificate Application and supporting documentation. The required documentation is listed on the form. Applicants are to check the box indicating that they are applying for this exemption and check the boxes that indicate the supporting documentation that is attached. Submit the completed and signed certificate with the permit application. The CET Exemption Certificate will be reviewed by Metro at a later date and Metro reserves the right to make the final determination of the qualification for this exemption. False statements or improper claims for exemptions shall be subject to the full penalties provided for at law.

4. Ceiling reached (\$12,000.00 maximum permit fee paid for each structure).

If the Construction Excise Tax calculated would be greater than \$12,000.00 (Twelve Thousand Dollars) then the Construction Excise Tax imposed for the Construction is capped at a ceiling of \$12,000.00. The Ceiling applies on a single structure basis. For example:

a. If a single building permit is issued for a structure where the Value of New Construction is greater than or equal to Ten Million Dollars (\$10,000,000), then the CET for that building permit is capped at Twelve Thousand Dollars (\$12,000.00).

b. If Construction in a single structure will require multiple building permits, and the total CET that would be imposed for those building permits would add up to more than Twelve Thousand Dollars (\$12,000.00), then the total CET for those building permits within the same structure is capped at Twelve Thousand Dollars (\$12,000.00). Once a total of \$12,000.00 has been paid in CET for a particular structure, then no additional CET will be collected for that structure.

Pro-Rata Exemptions

If an exemption under (2) or (3) above is applicable to only part of the Construction, then only that portion shall be exempt from the CET, and CET shall be payable for the remainder of the Construction that is not eligible for an exemption, on a pro-rata basis.

It shall be the responsibility of the person seeking the partial exemption to fill out a Metro CET Exemption Certificate application for the partial exemption, declaring on that application the proportion of the Construction qualifies for the exemption. Upon receiving a Person's Metro CET Exemption Certificate application claiming a partial exemption, along with substantiating documentation, if any, the building permit issuer shall preliminarily authorize the partial exemption and shall only collect the pro-rata CET as declared by the applicant. The building permit issuer shall forward the Person's Metro CET Exemption Certificate application, along with substantiating documentation, if any, to Metro along with the quarterly CET report. The CET Exemption Certificate for the pro-rata exemption will be reviewed by Metro at a later date and Metro reserves the right to make the final determination of the qualification for this pro-rata exemption. False statements or improper claims for exemptions shall be subject to the full penalties provided for at law.

Rebates

If an applicant believes, after paying the CET, that it is eligible for an exemption, application may be made directly to Metro for a rebate of the tax paid.

Documentation for a rebate is the same as above, along with proof of payment of the full CET to the local jurisdiction. Rebate applications must be made to Metro within thirty (30)

days of paying the CET, or the possibility of a rebate is waived. Submit rebate applications, with supporting documentation, in writing to:

**Chief Operating Officer
Construction Excise Tax
Metro
600 NE Grand Avenue
Portland, Oregon 97232-2736**

