

## **STAFF REPORT**

IN CONSIDERATION OF ORDINANCE NO. 22-1485, FOR THE PURPOSE OF HOUSEKEEPING AMENDMENTS TO METRO CODE CHAPTERS 7.05 AND 7.07 RELATED TO PERSONAL AND BUSINESS INCOME TAX ADMINISTRATION

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Date: October 3, 2022  
Department: Finance & Regulatory Services  
Meeting Date: October 20, 2022

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Length: 15 minutes (in conjunction with Ordinance No. 22-1484)

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### **ISSUE STATEMENT**

In December 2020, the Metro Council adopted Metro Code Chapters 7.05, “Income Tax Administration for Personal and Business Taxes”, 7.06 “Personal Income Tax”, and 7.07 “Business Income Tax”. These chapters codified certain provisions of the Supportive Housing Services Measure approved by the voters, and established code to implement the taxes imposed by the measure in an effective and efficient manner.

After adoption of the income tax code, Metro has continued to work on implementation and ongoing administration of the tax collection system with our tax administrator, the City of Portland Revenue Division. Through these efforts, Metro will be required to occasionally amend code or administrative rules in order to maintain consistency with current practices and/or any related law changes that may happen at the state and/or federal level.

The proposed amendments do not change the intent of the code as adopted by Council, but make changes to support the collection of these taxes through the City of Portland’s Revenue Division.

### **ACTION REQUESTED**

Staff requests adoption of Ordinance No. 22-1485.

### **IDENTIFIED POLICY OUTCOMES**

The proposed amendments to Metro income tax codes clarify the code originally adopted in December 2020 in order to maintain consistency in administrative practices for tax collections done by the City of Portland, including Metro’s SHS taxes. These codes establish rules to ensure the taxes imposed by the measure are administered in an effective and efficient manner.

## **POLICY OPTIONS FOR COUNCIL TO CONSIDER**

- *Adoption of this ordinance.* This results in more clarity in the income tax codes, while reinforcing actions already completed by the City of Portland and Multnomah County which guide the tax collection system for all three entities.
- *Adoption of this ordinance with revisions or modifications as described by Council.* This may require additional action to ensure that changes do not conflict with other local government income tax codes.
- *Rejection of this ordinance with other direction to staff.* The existing income tax code would remain in place, but proposed amendments would not be made. This may require additional action to ensure that changes do not conflict with other local government income tax codes.

## **STAFF RECOMMENDATIONS**

Staff recommends that Metro Council adopt Ordinance No. 22-1485.

## **STRATEGIC CONTEXT & FRAMING COUNCIL DISCUSSION**

Metro staff formed a tax implementation advisory table in June 2020 to advise on technical aspects of tax implementation, technical issues, and provide recommendations to ensure a smooth, legal and easy tax collection process. Members included experts in taxation, tax policy, tax implementation and business stakeholders. The table met with staff multiple times and provided input on development of the tax codes.

Council provided direction on code development at a November 2020 work session, and three Council meetings in December 2020. The code was adopted on December 17, 2020. Tax collection began in April 2021. Collections began slowly, as is normal for a new income tax. However, by the end of FY 2021-22, the taxes collected nearly \$240 million in revenue and over \$200 million was distributed to our local implementation partners.

In the context of this ordinance, Metro is providing additional clarity and codifying actions taken by the City of Portland and Multnomah County, with whom Metro has agreed to partner with for purposes of income tax administration.

## **BACKGROUND**

In May 2020 Metro voters approved a measure to raise money for supportive housing services for people experiencing homelessness or at risk of experiencing homelessness. Multnomah County, in November 2020, subsequently passed a personal income tax to fund early childhood education. The tax is similar – though with a slightly different structure – to

the personal income tax component of Metro's SHS taxes and is also now administered by the City of Portland's Revenue Division.

The program is funded by two separate taxes: a 1% personal income tax on taxable income above \$125,000 for individuals and \$200,000 for those filing jointly, and a 1% business income tax on net income for businesses with gross receipts above \$5 million. Other Metro programs and projects are funded through bond measures or property tax levies. This is the first program at Metro that uses personal and business income taxes, and it is the first local personal income tax in the region since Multnomah County's personal income tax ended in 2006.