

IN CONSIDERATION OF ORDINANCE NO. 25-1531, FOR THE PURPOSE OF INDEXING THE SUPPORTIVE HOUSING SERVICES PERSONAL INCOME TAX EXEMPTION AMOUNTS FOR TAX YEARS 2026-2030, AND ADJUSTING ESTIMATED PAYMENT REQUIREMENTS

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Length: 15 min

ISSUE STATEMENT

Council will accept public comment and have a first read of an ordinance to index the income exemption amounts applicable for the personal Supportive Housing Services high-earner income tax to account for inflation and to eliminate the estimated payment requirement for taxfilers with an annual tax liability of less than \$5,000 for future tax years.

ACTION REQUESTED

Hear public comment and discuss potential adoption of Ordinance No. 25-1531 at an expected second read on June 26.

IDENTIFIED POLICY OUTCOMES

Identified policy outcomes include:

- Respond to stakeholder and taxpayer concerns about inflation and economic uncertainty in the region, while ensuring that robust revenue continues to be available for regional programs to address homelessness.
- Keep the Supportive Housing Services personal income tax focused on “high-earner” households as described in Measure 26-210 and codified in Metro Code.
- Reduce administrative burden, confusion and potential underpayment penalties for SHS personal and business income taxfilers who are currently required to make estimated quarterly payments if their expected tax liability is over \$1,000.

POLICY QUESTIONS

- Do these actions help keep the focus of the Supportive Housing Services personal income tax on high-earning households and businesses, as described in Measure 26-210?
- Does the change in estimated payment thresholds reduce administrative burden for most SHS personal and business income taxfilers?
- How does adoption of the Ordinance address stakeholder concerns in connection with other potential SHS reform actions under consideration by the Metro Council?

POLICY OPTIONS FOR COUNCIL TO CONSIDER

- Adopt Ordinance No. 25-1531 independent of other potential Supportive Housing Services reforms. This would allow these changes to take effect in Tax Year 2026.
- Amend Ordinance No. 25-1531 to alter its method or process to better achieve Council's desired policy outcomes.
- Postpone adoption of Ordinance No. 25-1531 for later consideration along with other Supportive Housing Services reforms. This would mean these changes would not take effect until Tax Year 2027.

STAFF RECOMMENDATION

Staff recommends adoption of the Ordinance as proposed, independent of other Supportive Housing Services reforms that Council may consider. This would ensure that these changes can take effect in Tax Year 2026, and address stakeholder input and concerns that have been raised over several years.

STRATEGIC CONTEXT & FRAMING COUNCIL DISCUSSION

Indexing the Supportive Housing Services personal income exemption amount has received broad stakeholder support throughout the period that potential SHS reforms have been under discussion. A wide variety of partners and stakeholders agree that while the SHS personal income tax was intended to focus on high-earning households, inflation since the passage of Measure 26-210 means that increasing numbers of households are finding their income subject to the tax without a commensurate increase in purchasing power.

Additionally, in the initial years of the tax, Metro and the City of Portland Revenue Office, which collects the tax for Metro, received input that the \$1,000 estimated tax liability led to underpayment penalties and interest charges for taxfilers who did not realize that they needed to make estimated payments or have them withheld from paychecks. Increasing this minimum to \$5,000 will reduce the administrative burden for the vast majority of personal income taxfilers with little to no impact on revenue for the program.

Consideration of this ordinance occurs amid Council consideration of several other significant reforms to the regional Supportive Housing Services program, including a potential ballot measure and/or reform ordinance that would allow the program to better address regional homelessness challenges in the long-term. Following nearly two years of stakeholder engagement and input, the Council is expected to consider action on these broader reforms to program governance in July 2025.

Staff recommend that Council adopt this ordinance independent of other potential reforms for two primary reasons. First, this would ensure that these changes can take effect in Tax Year 2026 and continue for the second half of the ten-year tax approved by voters in 2020 (as well as any extension that may be approved by voters in the future). Second, it provides an opportunity for Council to demonstrate responsiveness to taxpayer and partner concerns, ahead of considering a potential voter measure and/or other reform actions.

Known Opposition/Support/Community Feedback

Adoption of the ordinance is supported by business, community and provider coalitions that have been involved throughout the development of potential SHS reforms. Many of these stakeholders have also expressed support for the Multnomah County Board of Commissioners taking similar action with the county's Preschool for All tax, which staff understand is currently under discussion.

Although some partners have raised concerns about the revenue impacts of the Ordinance, as well as other Supportive Housing Services Reforms that Council is considering, staff are unaware of significant opposition to this Ordinance at this time.

Legal Antecedents

The Supportive Housing Services taxes were created by voters through their approval of Measure 26-210 in May 2020.

This Ordinance amends details of income tax administration described in Metro Code Chapters 7.05 and 7.06, established by the Metro Council following passage of Measure 26-210.

Anticipated Effects

If the Ordinance is adopted, Metro or its Tax Administrator will index income exemptions beginning this fall for tax year 2026, using the cost-of-living adjustment as determined annually by Oregon statute. Metro or its Tax Administrator will publish adjusted exemption amounts by November 15 of each year. Beginning in tax year 2026, taxpayers would no longer be required to file an SHS personal income tax return if their annual income falls below the adjusted income exemptions.

Metro will also work with the City of Portland Revenue Division to notify taxpayers, accounting and tax software firms, employers and so on about annual adjustments to income exemption levels, as well as changes in estimated payment requirements.

If voters were to approve an extension of the Supportive Housing Services income taxes, annual indexing would continue into the extension period.

Financial Implications

The Ordinance will have no direct effect on SHS tax collections for tax year 2025. Current income exemptions, filing requirements and estimated payment requirements would remain in place for tax year 2025.

The relative revenue impact of indexing the income exemption threshold is expected to be modest, as the majority of SHS personal income tax revenue is received from households with incomes well beyond the current exemption levels. Based on prior year collections, staff estimate a revenue reduction of less than two percent in the first year.

Beginning in 2026, the change in estimated tax payment thresholds would affect when Metro can expect estimated payments from many taxfilers. However, it is not expected to impact overall annual revenue.

BACKGROUND

Indexing the personal income tax exemption amount was included as a policy recommendation in the Metro Chief Operating Officer's July 2024 recommendation on funding for affordable housing and Supportive Housing Services. This was in response to input heard during the COO's Stakeholder Advisory Table process in spring 2024.

Indexing was included as a policy action in the draft Ordinance No. 25-1526 discussed by the Metro Council in January 2025. At the time, staff heard Council support for moving forward with this action as part of a larger package of reforms, with input from key stakeholders and partners.

ATTACHMENTS

None