

Alert | State & Local Tax (SALT)



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Portland City Council Member Proposes Increase to Clean Energy Surcharge Rate

On April 10, 2025, Portland’s Climate, Resilience, and Land Use Committee reviewed a proposal from City Council Member Steve Novick to increase the Clean Energy Surcharge (CES) rate from 1% to 1.33%. The additional revenue from this increase would be redirected into Portland’s general fund, instead of the voter-approved Portland Clean Energy Fund (PCEF). This proposal raises questions regarding Portland’s authority to modify a voter-approved tax.

The CES, which voters approved in November 2018 and took effect Jan. 1, 2019, is a 1% gross receipts tax to “retail sales” that “large retailers” make. All revenues from this tax were specifically earmarked for the PCEF. While the 2018 ballot initiative did not define “retail sales” or “large retailers,” Portland has generally imposed the tax on nearly all businesses with more than \$1 billion in worldwide receipts and \$500,000 in Portland receipts, with only a few exceptions.

Faced with budget shortfalls, at least one Portland council member is now considering the CES as a potential source of additional general fund revenue. However, Portland’s city charter does not specifically authorize the imposition of taxes without voter approval.¹ Furthermore, Portland’s current administration of the CES, as it applies to non-retailers, is facing legal challenges. Considering these limitations on

¹ *City of Portland v. HomeAway Inc.*, 240 F. Supp. 3d 1099, 1107, (D. Or. 2017).

Portland's taxing authority, the city council's ability to increase the CES rate and divert those funds from the PCEF will warrant further legal analysis.

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