US: Oregon refunds over a billion tax dollars while programs suffer

Hector Cordon
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Under its one-of-a-kind “kicker” law, the state of Oregon last month sent out refund checks totaling a record $1.1 billion dollars to taxpayers, the lion’s share going to those in high-income brackets.

Enacted in 1979, the kicker requires the state to return or “kick-back” any tax revenue collected that exceeds the amount required for its annual budget by 2 percent. In the first rebate for individuals since 2001, when $254 million was returned, roughly 1.6 million households were sent checks amounting to 18.6 percent of their 2006 tax liability.

Oregon is issuing these tax refunds while residents of the Pacific Coast state suffer abysmally low levels of social services and education continues to stagnate or decline. From housing, to child poverty, to health coverage, Oregon ranks lower than the majority of states in the nation.

The kicker law was first enacted in 1979 and left intact by successive Democratic and Republican administrations. It became part of the state constitution in 2000.

Oregon corporations successfully blocked an attempt last year by the Democratic-controlled legislature to permanently eliminate the corporate kicker, which was set to hand out tax credits worth some $300 million. By one estimate, just 4 percent of the most profitable corporations operating in the state would have received 93 percent of the tax breaks. Under a compromise deal, this year’s corporate tax credit is being diverted into a “rainy day fund.”

Corporations in Oregon saw record high profits of nearly $13 billion in 2006, almost double the amount earned at the peak of the late 1990s high-tech boom. However, most corporations continue to get away with paying the $10 minimum tax.

Tax policies that favor the wealthy at the expense of working people were reflected in the distribution of the kicker. The top 143 tax filers took a lion’s share of the refund at $35,342,000, or an average of nearly $250,000 each and the top 20 income taxpayers will get kicker checks averaging about $786,000 apiece. On the other hand, the lowest 478,286 filers received $14,599,000, an average of a measly $30.52 each—enough, perhaps, for a tank of gas.

Billionaire Phil Knight—former CEO of Oregon-based Nike and listed by *Forbes* as the 70th wealthiest person in the world—could have single-handedly pushed Oregon’s income tax on wealth up by 22 percent with the 2006 sale of $1 billion of his company’s stock.

In the 25 years from 1980 to 2005, the top 1 percent of Oregon households enjoyed an increase in their average real income of nearly $580,000 to $862,334, accounting for inflation. Meanwhile, since 1979, the bottom 20 percent lost 15.1 percent.

When the Oregon economy rebounded in 2004, the top fifth took 81.3 percent of the adjusted gross income gains. However, the bottom fifth saw no gain at all. For the top 1 percent, their gross adjusted income grew by 44 percent in 2004. After accounting for inflation, the top tenth of 1 percent, 1,500 households, added $1.9 billion to their adjusted gross incomes in 2004 alone.

According to the Oregon Center for Public Policy, by 2006 workers in Oregon increased their economic output by “about $7,600 ... per person compared to four years earlier, in 2002. Oregon’s per capita output last year was nearly double what it was just 15 years ago.” However, only 3 percent of the income gains went to the bottom 99 percent of workers. The top 1 percent—households whose annual incomes exceeded $360,000 and averaged about $862,000—took the other 97 percent of income gains.

In inverse proportion to the wealth being accumulated at the top, the quality of public education continues to decline. The 2002-2003 bi-annual budget dropped per-student spending to number 31 in the nation. The 2005-2007 bi-annual budget allocated only $5.3 billion, despite the fact that, according to the *Oregon Blue Book*, the legislatively created Quality Education Commission deemed that $7.1 billion was the minimum required to “meet Oregon’s quality educational goals.”

An editorial in the August 16, 2006 *Oregonian* noted that in no state other than Florida has “per-student funding fallen faster since 1990.” According to an ECONorthwest/Chalkboard report, “Oregon’s 2005-06 student-teacher ratio, at 19.5, remains well above the median ratio of 14.8 for the median state. Oregon ranks among the five states with the largest average class size, as it has for more than a decade.”

Measure 5, a tax limitation law passed in 1990 restricting public education taxes to $5 per every $1,000 of property value, along with Measure 50 passed in 1997, resulted in a shift of primary funding responsibility for K-12 public education from local property taxes to the state’s General Fund. In 2002 the general fund, which is derived from the more volatile state income tax, experienced a drop of nearly 20 percent in revenue, after the 2001 recession hit. This, in turn, ignited a crisis in education and other social programs from which the state has still not recovered.

Child poverty is on the rise in the state, increasing 4.4 percent between 2000 and 2006. In the same time period the proportion of students qualifying for the free lunch program increased from 26 percent to a little over 33 percent.

Of 576,000 people without health insurance—or one out of every six of Oregon’s population—over 116,000 are children.

Additional cuts totaling almost $842 million impacted programs such as child welfare foster payments, community mental health and addiction treatment, Temporary Assistance to Needy Families, emergency assistance to low-income families, etc.

Although Oregon is adding jobs faster than many states, most of these are in low-wage industries, paying less then $30,000 per year. These industries accounted for 63 percent of all job growth since November 2000. Restaurant jobs, which pay an average of $14,230 annually, have led the way, accounting for 21 percent of net job growth.

Of uninsured working-age adults, 57.2 percent are employed, the majority full-time. According to Oregon Health Policy and Research, “In addition to the currently uninsured, another 299,000 Oregonians have experienced a health insurance coverage gap during the previous 12 months.”

The Oregon Health Plan’s standard program, which originally planned to cover all those living below the poverty level but not receiving public assistance under a rationing system, saw a catastrophic drop in enrollment—from 98,000 in 2002 to just over 20,000 today. The 2002 funding crisis led to the elimination of dental, vision, mental health, and chemical dependency coverage, the introduction of co-pays and finally the capping of enrollment. The cost-cutting measures taken by the Democratic Party-controlled legislature led to thousands of seriously ill members losing the minimal health care afforded by OHP.