Oregon voters approve higher taxes for wealthy and corporations

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6 February 2010

Oregon voters passed two measures late last month that will levy higher taxes on the wealthy and corporations. Facing a severe recession-driven revenue shortfall to the state's General Fund, Measures 66 and 67 measures are intended to raise an additional $727 million for the 2009-2010 biennium.

Measure 66 raises the rate for the individual taxpayer's taxable income over $125,000 by 1.8 percent, rising to 2 percent for income over $250,000. Households will see a similar rate increase, but for taxable income above $250,000 and $500,000. Measure 67 increases the minimum corporate tax from $10—a rate that has remained unchanged since 1931—to a still paltry $150.

Studies have shown that 65 percent of corporations in Oregon, through tax credits and accounting gimmicks, are able to reduce their profits to zero or less, allowing them to pay the minimum $10. This will now be raised to $150. Measure 67 also raises certain corporate taxes on profits by 1.3 percent.

To be clear, this additional $700 million-plus still falls woefully short of addressing increasingly desperate social needs. According to the Oregon Center for Public Policy (OCPP), the intent of these measures is "to help avoid deeper cuts to vital state services than those already taking place."

The General Fund provides funding for education, human services and police, but it relies on a volatile personal and corporate income tax for slightly over 85 percent of its receipts. (Corporate income tax amounted to 5.7 percent of the general fund in the last biennium.) This revenue plummeted when the recession hit in 2008. In May of 2009 the state budget forecast anticipated a shortfall of $3.6 billion for the upcoming biennial budget cycle beginning July 1.

Oregon's Democratic Governor, Ted Kulongoski, and the state legislature, with a Democratic supermajority in both chambers, responded with $2 billion in cuts, including 10 furlough days for state employees, and $1 billion in new taxes, of which the $727 million income tax increase was part. A business sponsored group, Oregonians Against Job-Killing Taxes, spent $800,000 to gather sufficient signatures to put the $727 million taxes to a referendum.

True to their name, this organization's constant harping on supposed job losses that the new taxes would unleash was a deliberate attempt to stoke the legitimate fears of an unemployment-plagued workforce. The group writes on their web site, "Small businesses would be forced to lay off their workers, reduce wages and benefits, or close their doors if voters approve the legislature's permanent tax increases. Economists estimate these higher taxes will cost as many as 70,000 Oregonians their jobs."

Job losses in Oregon have been extraordinary. Between the second quarter of 2008 and the second quarter of 2009 job losses were at a greater rate than in California—more than double—and outpaced those of any other state. Oregon's December 2009 jobless rate stood at 11 percent, up from 10.7 percent in November.

Additionally, Oregon has a history of anti-tax groups successfully plying their trade in the state. Beginning in 1990, with the passage of Measure 5, the state's constitution was amended to drastically restrict property taxes and shift much of the responsibility for school funding to the state. Measure 47 and its revision, Measure 50, were passed in 1996 and 1997 respectively. These measures further restricted property taxes and introduced the requirement of a double majority to pass any local tax measure. Tax increases to address the state's budget crisis due to the 2001 recession were defeated in both 2003 and 2004.

These "tax revolts" were engineered by a series of right-wing, anti-government organizations—Taxpayer Association of Oregon, Oregon Taxpayer United, Citizens for a Sound Economy, etc.—which exploited the discontent of working people at their stagnant or falling wages in order to effect a shift of the tax burden from the wealthy and corporations to the middle and working class, and to eviscerate social services for the poor and vulnerable.

An analysis by the OCPP shows that the wealthiest 1 percent of families in Oregon pay a miserly 6.2 percent in state and local taxes (this will climb to a still minimal 6.6 percent with Measure 66). However, for the poorest 20 percent of the population, with an average income of $10,000, the tax burden is greater than for the top 1 percent—8.7 percent. For corporations, their percentage of all income taxes paid will rise from 6.3 percent to 6.8 percent. This compares unfavorably to an 18 percent share of all taxes paid in the mid-1970s. According to the *Oregonian*, Gail Padgett of the pro-business Tax Foundation "acknowledged that the Oregon increases were relatively modest and that the state still ranks low nationally on its business tax burden, chiefly because Oregon has no sales tax."

In contrast to the minimal nature of these increases, the vehement and bitter opposition of the wealthy and ultra-wealthy to even the meekest infringement on their wealth was epitomized by the comments of Phil Knight, chairman of the Board of Nike, Inc., and the 30th wealthiest individual in the US. (Nike is based in Beaverton, Oregon.) In a letter to the *Oregonian*, Knight wrote: "Measures 66 and 67 should be labeled Oregon's Assisted Suicide Law II." He described the measures as "anti-business, anti-success, anti-inspirational, anti-humanitarian…"

Forbes lists Knight as the world's No. 73 billionaire with a net worth of $10.4 billion. Currently the national poverty level for a family of four is $22,050, less than a quarter of the $100,000 that Phil Knight donated to try to defeat Measures 66 and 67. Oregon voters rejected Knight's efforts and the anti-tax campaign and chose to approve the limited tax increases.