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GUEST VIEWPOINT

Work with taxes we have; don't create new ones

BY DOUGLAS BERG

For The Register-Guard

APRIL 27, 2017

The Oregon Legislature is gearing up to propose a large tax increase in order to avoid steep cuts in spending. And waiting in the wings is the lobbying arm of the public employees' unions, A Better Oregon, which is preparing an initiative petition for next year's ballot should it deem the Legislature's tax increase inadequate.

Given the enormous influence of public employees in Salem, we should be unsurprised that the Legislature will likely propose the same kind of tax as is favored by A Better Oregon, a tax on the gross receipts of businesses.

But wait, didn't voters overwhelmingly reject this tax last fall? They did indeed, in the form of Measure 97, which would have been the largest tax increase in Oregon history.

The proposals in play now are nothing more than a re-packaged Measure 97, a tax that voters correctly concluded would be passed onto the consumer in the form of higher prices.

Why try again? Oregon doesn't need a new type of tax, especially one that is the evil twin of a sales tax. It would hit low- and middle-income people the hardest, with no easy way to exempt essentials like food and medicine.

The Legislature should first work with the taxes we have in place — corporate and, yes, personal income taxes. These are the devils we all know.

The mantra of the Measure 97 campaign was that corporations should “pay their fair share.” Sadly, we hear the same slogan coming from some of our legislators now. But the slogan is nothing more than one of those half-lies invented by A Better Oregon to obscure the truth.

The fact is that Oregon's per capita corporate income tax receipts are actually about in the middle of all states with an income tax. The only reason total corporate collections lag behind in Oregon is the lack of a sales tax. Individuals in Oregon don't pay sales taxes, either. Does that mean that none of us is "paying our fair share"?

If you want corporations to pay more, then raise the corporate income tax. Thoughtful proposals could find support within the business community, unlike the contentious gross receipts tax.

But if there's one group that definitely is not paying its fair share, it is those individuals whose earnings put them in the top 1 percent of incomes.

A recent report from our state economist contained sobering statistics: In the last decade, the inflation-adjusted income of the top 20 percent of Oregonians went up 6.7 percent, while the middle 20 percent lost 1 percent and the bottom 20 percent lost a shocking 7 percent.

High-income individuals have done very well, while the rest of us have stagnated.

Yet Oregon's 9 percent income tax rate kicks in at less than \$17,000 of taxable income, while the top rate for high-income individuals is only 9.9 percent.

In this time of economic inequality not seen in a hundred years, these tax rates make no sense.

We should add two more top rates to Oregon's personal income tax — one for the top 1 percent of earners, and one for the top 0.1 percent. These are people earning above

approximately \$325,000 and \$1.5 million per year, respectively. For incomes above these levels, the top rates should be on the order of 12 percent and 15 percent, respectively.

We know that many high-income individuals pay a lower total effective tax rate than much of the middle class, especially if you include the payroll tax. These new rates would begin to correct this inequity.

By working within the tax system we know, and asking the most fortunate among us to contribute more, the Legislature can go a long way toward mitigating the draconian cuts to state services being considered while protecting low- and middle-income Oregonians from an additional tax they cannot afford.

Douglas Berg retired to Eugene in 2008 after a career in the information technology field.

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In today's RG:

"New committee to explore overhaul of business taxes"

<http://registerguard.com/rg/news/local/35523340-75/new-committeeto-explore-overhaul-of-business->

[taxes.html.csp](#)

"The revenue proposal now underway in Salem is similar to Measure 97: It would replace the corporate income tax with an Ohio-style 'commercial activity tax' on business transactions — not to be confused with a sales tax."

"What is the Ohio Commercial Activity Tax?"

<http://www.news-herald.com/article/HR/20140917/NEWS/140919566>

"According to the Ohio Department of Taxation, 'The CAT is an annual tax imposed on the privilege of doing business in Ohio, measured by taxable gross receipts from most business activities. Most receipts generated in the ordinary course of business are subject to the CAT. The CAT only applies to those gross receipts that are sourced to Ohio.'"

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No Blather

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This idea doesn't make sense to me. Under the logic of this editorial, we would accentuate the state's dependence on income taxes rather than seek a more balanced set of sources that might include some type of sales tax or gross receipts tax (perhaps with some corresponding reductions in income taxes). Further, Trump's tax plan removes the deductibility of state taxes for those that itemize, making this proposal even worse if that element is kept in place

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I wouldn't be too happy to lose my \$4,004 property tax deduction under Trump's plan. Losing the 9.9% Oregon income tax deduction wouldn't be great either.

But, it will depend on where the line will be between the 10% people and the 25% people in his scheme and what "doubling the standard deduction" turns out to be when all the dust settles in the House and Senate.

As a retiree, I no longer pay the payroll taxes; I suck up the Social Security and Medicare "benefits" instead.

This is just the opening bid in his competition.

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motleycrew

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"asking the most fortunate among us to contribute more,"

"Asking?" "Asking?"

Taking by force and threat of jail is what a tax is; not "asking"!

I will certainly not be affected by an increase at that level; the State will continue to want my paltry sums as well.

But let's admit theft when it is described; not describe it as if there was something voluntary about paying taxes!

It was taking by force of arms by the Kings of England; it was taking by the force of arms during the Whiskey Rebellion in the United States. It has always been and always will be government's prerogative.

The threat of jail or property forfeiture is always the underlying mailed fist in the velvet glove of taxation no matter its sources or its benefits.

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 **Lynn Porter**
12 hours ago

Sales taxes are not corporate taxes. Corporate tax rates specified by law are not the rates collected, according to the Oregon Center for Public Policy:

"For over a decade now, Oregon consistently has come out at or near the bottom among all states in terms of its "total effective business tax rate."...

Corporate income tax contributions have shrunk due to corporations lobbying for and winning many tax loopholes and subsidies, pursuing aggressive tax sheltering strategies, and taking advantage of corporate structures largely exempt from corporate income taxes. In short, corporations have gamed the system....

According to a corporate-funded study, businesses in Oregon get a bigger benefit out of the taxes they pay in Oregon than just about any state in the country. On the other hand, the tax system directly subsidizes corporations through a long list of tax credits, deductions, and subtractions."

<http://www.ocpp.org/2017/04/14/blog20170413-8-key-things-oregon-corporate-taxes/>

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 **williambd**
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But the amount of corporate income taxes actually collected per capita in Oregon is, as the author states, about in the middle of states with income taxes. I don't recall A Better Oregon ever saying Oregon was at the bottom in "effective tax rate". It mislead us into thinking that tax collections were near the bottom, which is not true if you're talking about income taxes.

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