

The Oregonian

Opinion: When it comes to taxes, let's not 'keep Portland weird'

By E. Werner Reschke & Jeff Helfrich | April 12, 2023

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After a few years of challenging tax filing seasons due to pandemic closures, stimulus checks and constantly changing rules and regulations, this year's April 18 filing deadline marks a return to normal for most taxpayers. However, for residents of the Portland area, it's a different story.

Over the past three years, the Portland area has experienced a sea change in its tax landscape. Local leaders and advocacy groups implemented new income taxes on individuals and businesses as their solution to fund expanded homeless services and access to preschool. Due to these taxes, the Portland region has one of the country's highest combined top marginal tax rates with some residents facing [rates above 60%](#) between local, state, and federal taxes. The [rollout of these new taxes has been a mess](#), as The Oregonian/OregonLive recently reported.

While reasonable people can disagree about rates and types of taxes, everyone should agree that taxes should be simple and uniform to promote fairness, reduce the administrative burden and improve the efficiency of the tax system. Unfortunately, the Portland area's new taxes don't do that. Rather than following the state's longstanding income tax rules, these convoluted local taxes unnecessarily reinvent the wheel.

For example, Oregon businesses pay state and federal tax through the corporate income tax or, if they are an s-corporation or partnership, on the owner's personal tax return. The Portland area taxes do not follow this structure. Instead, they require the business to pay at the entity level and then again on the owner's personal return, with a complicated deduction to separate business and individual income. Additionally, taxpayers cannot rely on popular tax programs, like TurboTax, to file because those services have chosen not to include the local taxes in their software.

Currently, small business owners in Portland must navigate up to seven income taxes between city, county, regional, state, and federal governments, each requiring taxpayers to maintain separate books to track their income. This complicated and burdensome tax system causes some taxpayers [to pay more in accounting fees](#) than in taxes to local governments. It also discourages business and community growth, as shown in recent reports that Multnomah County [lost more than 20,000 residents](#) between 2020 and 2022.

As state lawmakers, we are responsible for stewarding the state economy and its taxes. Oregon's Constitution provides broad taxing authority to local jurisdictions, allowing them to select the appropriate taxes for their needs. The Constitution also gives the Legislature the authority to step in and ensure the overall state and local tax system serves the state's interests.

Although not solely responsible, Portland's taxes are driving people out of the area and to other states. A [recent analysis](#) by ECONorthwest indicates many of these departures are higher-income households moving to Clark County for tax benefits. These departures directly impact state revenues and the ability to pay for important programs and services. We have an obligation to ensure the state and local tax system does not unduly burden people to the point where they feel compelled to leave.

We introduced [House Bill 2548](#) in the Legislature to require these and any future taxes to conform with the general rules and procedures governing the state income tax. The measure does not eliminate the local taxes but requires they use the state's definitions and processes for determining income. Communities deserve the right to decide their mix of taxes, but state and local laws must also ensure those taxes are not overly complicated.

The House Revenue Committee has spent more time exploring this concept than any other tax measure this session. We are grateful to Chair Nancy Nathanson (D-Eugene) for dedicating so much time to finding a solution that simplifies compliance for taxpayers while respecting the will of the voters.

As Tax Day approaches, make sure to file your local taxes along with your state and federal returns. And, if you find yourself banging your head on your desk trying to navigate these taxes, know the Legislature is working to make future years a lot easier.