

Eugene Income Tax — Yes or No?

The following guest editorials have been prepared by proponents and opponents of the upcoming Ballot Measure 51, which would establish a 0.4 percent income tax on Eugene residents and on those non-

residents who earn money within the City of Eugene. The measure will appear on the ballot on Tuesday, November 5. Be sure to cast your vote!

PRO

Prepared by the Eugene Agenda Committee

The Eugene Agenda Committee believes that the proposed income tax on the Nov. 5 ballot represents a fair and effective means of investing in the future of our city and of replacing current federal revenue sharing funds that maintain our streets, parks, equipment and buildings.

While few people rejoice in the thought of another tax, a careful look at Measure 51 reveals that the proposed city income tax is fair, simple — and most importantly — small. For an adjusted gross income of \$35,000, the tax amounts to \$11.66 per month, while a \$15,000 adjusted gross income earner would pay only \$5.00 per month. Also, Measure 51 reduces or eliminates taxes paid by people earning less than \$10,000.

Once the tax is in effect, the city council cannot raise the .4% tax rate without voter approval. And the rate will drop from .4% to .25% after airport and library construction are paid. The .25% tax will enable the city to continue maintaining the streets, parks, equipment and buildings — projects which federal revenue sharing funds will no longer support after September 1986.

It's important to note that the city council considered other alternatives to the income tax. They found that charging user fees at the airport was made illegal in 1973. And further reducing the city's operational costs would jeopardize the services that contribute to Eugene's quality of life.

About one-half of the money raised by the income tax, or \$2 million dollars annually, will replace lost federal revenue sharing funds. Included in this list of projects are street overlays; traffic signals; street lights; new and improved computer equipment for police, fire and ambulance services; improvements to community centers; swimming pools and fire stations; improved bikepaths; upgraded playground and picnic equipment; and added irrigation to parks and athletic fields. Each year the public has the opportunity to recommend to the Planning Commission and city council specific projects that would be funded in the coming year.

Money from the tax will also be used to fund necessary improvements at Mahlon Sweet Airport and the library — projects which surfaced again and again as top

priorities in summer surveys and public forums held by the city council.

For the past 25 years the library has challenged the minds of both young and old. Loans from the main library have increased five times since 1959. Lately, however, the challenge to library users has been to find a place to sit in the crowded facility. More than 3,000 people may enter the doors on heavy-use days.

Space is a critical item for the staff also. They've been challenged to find shelf room for the 250,000 books and other materials. The public has limited access to thousands of materials, which must be stored in the basement because of lack of space in public areas. A feasibility study is needed to determine whether additions can be made to the existing facility or whether a new building is needed.

The other major project funded by the income tax would be a detailed improvement project at Mahlon Sweet Airport. The 21-year-old facility was built to service two airlines, but now services four, with a fifth airline coming before the end of the year. Visitors, residents and airline officials have expressed concern about limited flight schedules, high fares, slow baggage service and inconvenient boarding procedures.

The proposed \$17.1 million improvement project, of which no more than \$10 million will come from the income tax, specifically calls for: three enclosed loading bridges from the terminal to the aircraft; an upgraded terminal that accommodates five airlines; an expanded 7,200 sq. ft. security area; a mechanized baggage handling system; an increased lobby area; an expanded parking lot; an enclosed glass observation deck; a new heating and ventilating system; covered walkways to the parking lot; and a trade center to be used for meetings, receptions and news conferences.

Besides making the airport more convenient, the improvements offer a better air travel package by paving the way for improved flight schedules and air fares.

In summary, Measure 51 is the best means of taking care of present public works needs while simultaneously providing for a prosperous future for our city.

CON

Prepared by Lane County Commissioner Peter DeFazio

Every new tax should be subjected to three tests: Is it absolutely needed? Is it fair? Is it simple? The newly proposed City of Eugene Income Tax fails all three tests.

Is This New Tax Absolutely Necessary?

- There are a number of alternatives to this new tax.

- Remember, first of all, that the City of Eugene has a tax base of \$23,962,977 for general fund purposes. This base automatically increases at the rate of 6% per year. This means that the city of Eugene will receive an additional \$1,437,778 in property taxes next year and a total of \$2,961,824 above that base in the following year. Some of these additional funds could be diverted to pay for necessary local capital improvement projects.

- The airport is a regional asset. The costs of necessary improvements should be spread county-wide or further with a port district or intergovernmental operating agency.

- The library is not scheduled for construction until the 6th year of the new tax. If a new city library is needed immediately, a bond issue could be offered within 6 months and immediate construction could begin next summer (not 6 years out). If immediate construction is not necessary, a county-wide library district could be formed as in 23 other Oregon counties to provide a true regional facility.

- The tax will raise tens of millions of dollars more than the city has projected. The city assumed 0% income growth and no annexations or population growth for the next 25 years — with a 25-year yield of \$102,350,000 net after administration costs. The city's consultant estimates 6% per year growth in adjusted gross income (p. 7, Chastain Economic Consulting, May 1985). If we are conservative and apply a 5% growth factor to AGI, the city would actually receive \$195,035,000 over the 25-year period, net after administration costs. How will the city spend this additional \$92,685,000?

It Is Not a Fair Tax!

- This tax raises grave questions of equi-

ty by violating a basic principle on which our country was founded — NO TAXATION WITHOUT REPRESENTATION. Thirty to 38 percent of the persons who will pay this tax live outside the city of Eugene and will have no vote in the levy or spending of this tax.

- Tax shift. This tax will shift the burden for capital improvements to middle class wage earners and small business owners while exempting large corporations. Many cities fund capital improvements from property taxes. Corporations, the largest property owners, pay their fair share for capital improvements under the property tax funded system. However, under the Eugene Income Tax, P.N. Bell with \$58.7 million of property would pay \$0, Valley River Center with \$28.5 million of property would pay \$0, and a middle class homeowner with a \$60,000 house and a \$30,000 income would pay \$120.

- This tax exempts corporate profits from taxation. Yet the city's own consultant said: "It is generally desirable to tax corporate income if the taxing entity imposes similar taxes on non-corporate income. An unincorporated business will pay taxes under a personal income tax. An otherwise identical business which is incorporated will elude the tax."

It Is Not a Simple Tax

- The City estimates it will pay the state of Oregon \$700,000 for administration in the first year and \$350,000 per year thereafter. That means over the life of the tax the city will pay the state \$9,100,000 to administer this tax. That's more than the \$8,800,000 estimated cost of the library — just for administration.

- It is a very complex tax including a capital gains portion, rents, royalties and interest income and a unitary tax for non-corporate business.

During the sales tax debate, we heard again and again that Oregon's high personal income tax was a deterrent to economic development. How is it then that an even higher personal income tax in Eugene on residents and non-resident wage earners and business owners will stimulate our economic development?

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