

Tax plan . . .

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When the citizens vote on May 1, they will vote for or against that \$2 constitutional limitation.

Why does the plan call for the \$2 to be a constitutional limit?

Because constitutions are not easily changed. Constitutional amendments require the vote of the people. Statutes, on the other hand, can be changed simply by a majority vote of any legislature and a governor's signature. So a constitutional \$2 limit will give residential property taxpayers the greatest possible security that their taxes won't rise . . . a security very unlike the present situation.

How will businesses be taxed?

Businesses now pay a business property tax similar to the tax paid by individual residence owners. Under the McCall plan, businesses will pay the \$7.50 property tax on the "income-producing property" which contains the business and some—those making over \$15,000 per year net profit—will also pay a new tax, a business profits tax. Those businesses annually making over \$15,000 will be taxed at a one to two per cent rate of their profits, the amount depending on the amount of profit.

The majority of businesses in Oregon—farms and small businesses—will not be affected by this tax. Big business will.

How will corporations be taxed?

Corporations will continue to pay the corporate excise tax—a tax now paid annually by corporations in Oregon based on the amount of annual net profits.

The rate of corporate taxation is currently a flat six per cent of those profits; under the McCall plan it will vary from four to ten per cent, depending on the amount of net profits made yearly by a corporation. Again, those making more will be taxed at a greater rate.

Will all big corporations pay more under the McCall plan?

No, unfortunately. A weakness of the plan is that an estimated 55 of Oregon's largest corporations will not pay more. In fact, their taxes will decrease—at least for the first year—because most now pay a greater property tax than \$7.50 per \$1000 assessed value of their land. Weyerhaeuser, for example, owns thousands of acres of timber in Oregon and pays a high amount of property tax in several local school districts. The increase in the corporate excise tax in the plan is not nearly enough to offset the property tax reduction Weyerhaeuser will realize. However, it is estimated that as the state gradually increases the

property tax on "income-producing property" to the maximum \$10 per \$1000 assessed value of property allowed by the constitutional limit, Weyerhaeuser and other corporations' tax reduction will reverse and within a few years those corporations will be paying as much or more tax than they now pay.

In conclusion:

The state of Oregon will collect additional income taxes, state imposed property taxes on "income-producing property," a business profits tax from large businesses and more corporate excise taxes which will be channeled into the state general fund.

The general fund, then, will supply the money to be channeled from the state to local school districts to finance up to 95 per cent of the cost of elementary and secondary education. The additional five per cent will come from the \$2 local property tax (explained above) and from other sources such as lunch fees, book rental etc.

How will the money be allocated from the state general fund?

The formula for allocation, devised by McCall and his staff, begins by giving each school district a basic grant of \$900 per student enrolled in its schools. The amount of the basic grant will be determined by calculating what a district now spends per student per year, subtracting "deductible receipts" (such as fees, lunch revenue, federal funds for special programs, etc.) and adding to the resulting figure a six per cent inflationary allowance.

Here is how the formula will work:

Amount spent per student this year minus deductible receipts plus six per cent equals the amount of the basic grant.

What are other major provisions of the plan?

The plan also calls for full state funding of existing kindergarten programs in local districts. And if voters in other districts approve the establishment of kindergartens, the local districts will be required to fund 50 per cent of the kindergarten programs for the first year; after

annual rent paid. Some, including a substantial number of students, will also qualify for additional "low-income renter relief."

Homeowners—will see their current property taxes decrease to a maximum of \$2 per \$1000 assessed value of their property for school support. They will receive a tax credit of ten per cent of additional property taxes paid to local government. that the state will assume full-funding of the kindergartens.

The plan provides that homeowners will receive tax credits (like the renters' nine per cent credit) for 10 per cent of the remaining county and city imposed property taxes to further relieve the over-taxed property owner.

Realizing that a long road lies ahead winding to completely equalized education for all children in Oregon, the plan directs the State Board of Education to search for ways of achieving equal educational opportunity in the future.

In conclusion: Here is how the plan will work for different Oregon citizens:

Renters—will receive an automatic nine per cent refund of Farmers, landlords, business owners—will pay a state levied \$7.50 per \$1000 assessed value of property tax on "income-producing property."

All citizens—will pay more income taxes, the amount depending on the amount earned.

School districts—will receive the basic grant money each year from the state general fund, will continue elections for transportation and capitol construction budgets and will decide how they want to spend the money raised from the \$2 local property tax.

All citizens—will continue to have the opportunity to vote on transportation and capitol construction budgets.

Unincorporated businesses—will pay a one to two per cent business profits tax if they net over \$15,000 in profit a year and will also pay the \$7.50 state property tax on the property which contains the business.

Corporations—will pay an increase in the corporate excise tax (like the business profits tax). Some, however, which own large amounts of property in Oregon will realize a decrease in total taxes paid—at least for the first year.

The legislature—each session

must decide if the basic grant of \$900 is enough, too little or too much for local districts, depending on the current state of the economy and the needs of other services funded from the state general fund.

The plan is not perfect—no plan could be. But it does represent a dramatic change from the traditional band-aid approach of improving ways of taxation. It does provide tax relief for the majority of Oregon taxpayers and it covers the first few miles of the road winding toward equal educational opportunity for all of Oregon's children.

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