

Support building for tax relief

By KEVIN HARDEN
Of the Emerald

There are thousands of angry tax payers out there and they're ready to take action on Oregon's high property taxes. That action just may put some of the state's small cities in a financial bind that will be hard to get out of.

According to Noel Klein, of the League of Oregon Cities, a "meat-axe" approach to cutting state taxes may hurt small cities around the state. It could also end local control of tax issues, he says.

Klein and several other organization officials around the state are now faced with a growing support for the proposed limit on state property taxes that could take as much as \$400 million out of the state annual revenue. If that money were no longer available it could injure small Oregon cities more than the large ones, Klein says.

The property tax limitation, proposed last month, would limit Oregon property taxes to just one and one-half percent of assessed property value.

The measure is merely a carbon copy of the recently-approved California Proposition 13, which limited that state's property taxes to one percent of the assessed value and cut the state's operating budget by several million dollars.

So far, the Oregon tax limitation petition drive has gathered more than the 65,000 necessary signatures to put the proposal on the November general election ballot.

The drive has been gaining support, says one leader of the groups trying to limit property taxes, and nearly 5,000 signatures are being gathered daily. The drive is expected to garner more than 100,000 supporters before the July 6 petition filing deadline.

Most of those signatures are coming from frustrated tax

Will axe hit Oregon cities?



Emerald graphic

payers in several small Oregon towns who believe the proposed limitation will give them more say in the way their tax dollars are spent, which may not be true, Klein says.

Because the average city in Oregon draws about 30 percent of its operating budget from local property taxes, small cities could be hit with either a substantial cut in services or a loss of revenue, Klein says. If a loss of operating funds does occur, small cities would probably look elsewhere for the money — which could mean

meeting federal or state guidelines before any funds are received.

"Larger cities may be affected less," he says. "But you really can't distinguish between big or small cities. Some large cities would probably be able to meet the requirements for matching federal or state funds while smaller cities wouldn't. Which would mean they would be better off."

Local control, one thing the petitioners are seeking for their tax revenue, may also be threatened if the tax limitation

measure is approved in November, Klein says.

The Oregon constitution, he says, has provided for local voter approval of all operating budget and tax increases since 1916. If the proposed limitation were to go into effect, it could place the burden of dividing the tax revenue among the entire state services on the state legislature, which could mean more government control, instead of less, Klein says.

"People who are supporting this petition drive say this is a tax reform measure, but it's re-

ally not that because it leaves the problem of allocating the remaining tax revenue to the legislature," Klein says. "Just one consequence people will see of this limitation is just more and more government imposed on cities further and further from the localities."

If the tax limitation is approved, the big losers could be the state's schools, Klein says. Because nearly 70 percent of the existing property taxes now go to pay school operating expenses, they would be the first and hardest hit by the measure.

"If you are going to cut property taxes by \$375 million you're really going to hurt the schools," he says. "A lot of school districts don't have a tax base to get their budgets from so they have to go to the people for their costs."

If that happens, he says, schools and cities may have to look for replacement revenues, which could come from increased state and federal income taxes.

One effect the California measure may carry into Oregon is increased taxes on personal property and decreased taxes on business property, Klein says.

Under the Oregon proposal, taxes will be limited to 1½ percent of the 1975 assessed value of the property. If a house is built or sold after the measure is passed, the property is assessed at its full value and taxed accordingly.

Firmly established businesses are rarely sold, Klein says, so private property owners would only receive about a 37 percent rollback in taxes while businesses would receive about a 63 percent rollback.

"There have been arguments made that the proposed limitation would free up money for businesses to grow and expand," Klein says. "The fact is that businesses would benefit from the measure far more than the average tax payer."

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