

Legislature repeals unitary tax

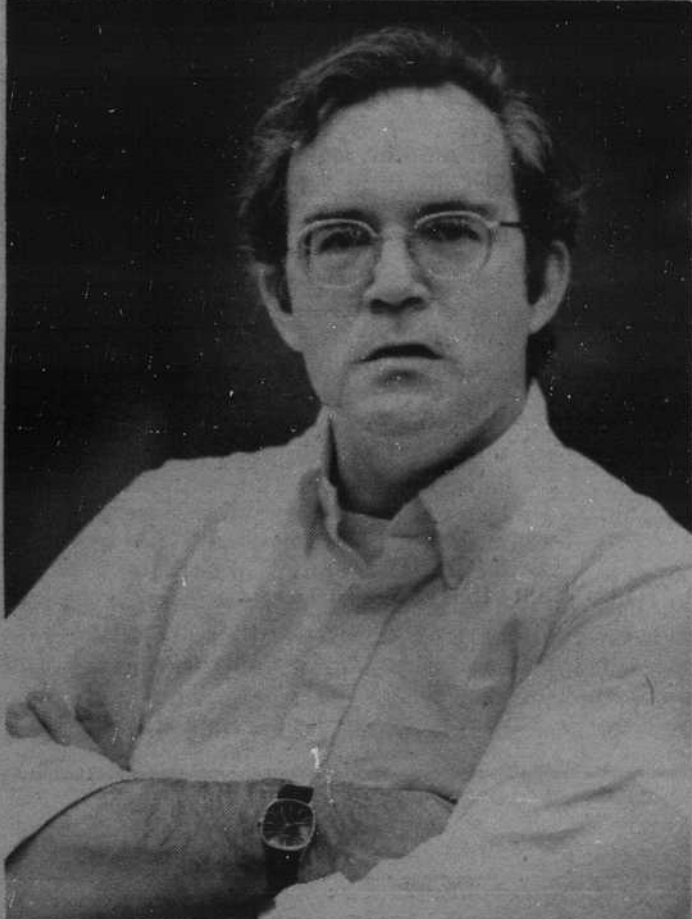
By Mike Sims
Of the Emerald

SALEM — The Oregon Legislature voted to repeal the state's unitary tax on national and international corporations in just 13 hours Monday, making use of what Gov. Vic Atiyeh termed "a time-perishable opportunity."

Lawmakers, convened in special session at the governor's request, approved repeal by a 53-6 vote in the House of Representatives and a 27-3 margin in the Senate.

Under the new tax policy approved by the Legislature, only income earned in the United States by multinational corporations will be used by the state Department of Revenue in determining corporate tax rates.

Current tax laws state that a corporation's entire worldwide income will be used as the basis for assess-



Grattan Kerans

ing corporate income taxes. Many domestic and foreign corporations that refuse to locate in states employing the unitary tax had joined Atiyeh in urging its repeal.

Atiyeh hailed the action as a high point in Oregon's economic history, a major victory for himself personally and for all Oregonians. He also said that the state could expect "some good... immediate response" from corporations wishing to locate in the state.

"Corporations would not be lobbying Oregon to repeal unitary if we had not convinced corporations Oregon is an otherwise attractive state in which to invest," Atiyeh said in a written pre-session statement delivered to legislators Monday morning.

The governor had originally planned to deliver the message in an address to both chambers, but scrapped the idea in hope of expediting the special session. The session was adjourned just after 10 p.m.

Speaker Grattan Kerans, D-Eugene, spoke in favor of repeal from the House floor—a rare move for presiding legislative officers. Kerans boiled down arguments favoring repeal into simple terms.

"We're not about to bring on the economic millenium," Kerans declaimed. "What we're talking about are jobs, jobs for our people."

"We want to tell those who are unemployed (that) we did our best. We want to tell those who left to come home... to find a job here, to find a life here once again."

Kerans' remarks were in reference to the 123,000 Oregonians who, he said, will stand in an unemployment line this week and to the 65,000 people who have left the state in search of jobs.

Repeal of the unitary tax will mean an annual \$15 million tax cut for multinational corporations that do business in Oregon, and some legislators decried this perceived "giveaway." Among them was Rep. Larry Hill, D-Springfield.

"I'm ashamed to be here," Hill said. "This bill represents the biggest giveaway the Legislature has considered during my time here."

"We make cuts in higher education and public school budgets, we can't afford to keep our roads repaired; yet we can find \$15 million a year in tax cuts for large corporations," said Hill, one of six House members voting against repeal.

Rep. Carl Hosticka, D-Eugene, acknowledged that both factions in the repeal debate had presented valid arguments— "This is not a black-and-white issue." However, Hosticka said that expectations of repealing the unitary tax had been raised so high, both in Oregon and abroad, that failure to do so would have "negative consequences" for the state's economic development efforts.

Senators voting against the bill, both in the Revenue Committee and on the Senate floor, were Margie Hendriksen, D-Eugene; John Kitzhaber, D-Roseburg; and Rod Monroe, D-Portland. All three said that the Legislature should not have rushed such a major policy decision through a one-day session.

Monroe was worried about the possible negative fiscal impact repeal would carry if a property tax referendum (Ballot Measure 2) is approved by voters in November. He attempted in committee to attach an amendment that would kill repeal and raise taxes, including personal income taxes, if the ballot measure is passed.

Monroe's motion was defeated by a 4-3 committee vote. The bill was sent unamended to the full Senate, where Revenue Committee chair Ruth McFarland, D-Bonneville, urged colleagues to "hold your nose, kick your desk, and vote for it."

Oregon is the first of 12 states using the unitary tax to repeal it. The new "water's edge" approach to corporate taxation approved Monday will take effect Jan. 1, 1986. Thus, the Legislature has an opportunity to reconsider its action when it convenes in regular session in January.

Border tax truce restores harmony

By Mike Sims
Of the Emerald

After what House Speaker Grattan Kerans, D-Eugene, called a bit of "shuttle diplomacy" between Oregon and Washington, the Oregon Legislature voted Monday to call a one year "truce" in a tax war with Oregon's northern neighbor.

The Legislature agreed to suspend for one year a law it passed in 1983 requiring that out-of-state residents who work in Oregon pay Oregon income taxes based on total household income, rather than the portion of that income earned in Oregon. The votes were 53-6 in the House of Representatives, 18-12 in the Senate.

Gov. Vic Atiyeh said in a prepared statement to lawmakers that repeal of the tax would "restore harmony to our common borders."

Washington lawmakers had retaliated against Oregon's border tax law by enacting a "commuter tax" law aimed at Oregonians working in Washington. That law is scheduled to take effect in July 1985. After negotiations between legislators from the two states, however, two Washington solons pledged that their legislature would change several sections of Washington's tax code that discriminate against Oregonians working in that state.

If Washington's legislature does not live up to that promise by the time the new commuter tax takes effect, the 1985 Oregon Legislature will re-enact the border tax.

Gov. Vic Atiyeh had asked Oregon legislators to repeal the border tax outright. But Kerans and Rep. Bruce Hugo, D-Scappoose, met with Washington House Majority Leader Dennis Heck, D-Vancouver and Sen. Alan Thompson, D-Castle Rock and after a series of discussions hammered out a compromise.

The result was a "Kerans-Hugo Amendment" calling for the one-year moratorium on Oregon's border tax in exchange for Washington's repeal of its commuter tax.

Kerans asserted on the House floor Monday that the Legislature had no "malice aforethought" when it approved the border tax in 1983. "We didn't set out to beat up on our colleagues in Olympia or our neighbors in the state of Washington," Kerans said.

Lack of rancor aside, the 1983 legislation angered many Washingtonians, particularly those living in counties bordering Oregon: Clark and Cowlitz counties (containing the cities of Vancouver and Longview respectively) were centers of fulmination against the Oregon tax, and in favor of retaliation by Washington legislators.

Repeal of the Oregon border tax will cost the state an estimated \$2.6 million a year. Legislation mandating the tax war truce passed both chambers of the Legislature Monday with relatively little debate.

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