

Measures 11, 12 shift weight to income taxes

By Shawn Wirtz

Of the Emerald

Oregonians will receive property tax relief at the expense of higher income taxes if Ballot Measures 11 and 12 pass.

The supporters' "Homestead Exemption Fair Tax Plan" is simply a tax shift, according to the NO on 9, 11 and 12 Committee, which includes several business and public employee organizations.

"You aren't really giving tax relief, you're just putting money in one pocket and taking it out of another," said John McCulley, president of Small Business Advocates.

The shift from high property taxes to a higher but more "progressive" income tax is needed, said Mike Farber, regional organizer for Oregon Fair Share, which sponsored the measure.

"The broad brushstroke is that people are looking for property tax relief," Farber said. Measures 11 and 12 constitute a "comprehensive plan to completely fund property tax relief," he said.

Measure 11 would exempt from taxation 50 percent of the value of a residence, up to a maximum of \$25,000. Renters would receive an equivalent rebate. School districts and county and city governments would lose \$310 million in property tax revenues, according to the Legislative Revenue Office.

Measure 11 requires the state to make up 80 percent of the lost revenues. Its companion Measure 12 will increase personal and corporate income taxes by \$293 million, which would fulfill the state's obligations under Measure 11.

Additionally, Measure 11 requires between 10 and 50 percent of state lottery funds be earmarked to help fund the relief. Currently, lottery funds are targeted for economic development projects.

Under its provisions, if Measure 11

receives more yes votes than Measure 7, the sales tax, or Measure 9, the property tax rate limitation, Measures 7 and 9 will be repealed. A sales tax could be introduced by an initiative measure only.

The current system is "incredibly regressive," said Farber. The new plan "restructures the way income taxes are raised right now," he said.

Measure 12 would reduce the tax rates for the lowest personal and corporate brackets and increase the rates for the highest personal and corporate brackets.

Households with incomes of less than \$50,000 would pay lower net taxes, while those who generate incomes of more than \$50,000 would pay higher net taxes, according to the Legislative Revenue Office.

"Two thirds of all citizens will see their income tax remain stable or be reduced. One third will go up," Farber said.

Of the \$293 million increase, \$38 million will come from increased corporate taxes. The flat corporate tax rate of 7.5 percent will be graduated from 5.5 percent to 10.5 percent.

This adjustment will have negative effects on businesses, said McCulley. "I subscribe to the theory that corporations don't pay taxes, people pay taxes," he said.

"Secondly, if you're looking at revitalizing the state's economy, increasing income taxes is the worst thing you can do," McCulley continued.

When corporations look at places to locate, "they look at a lot of different factors, and the income tax is a very minor factor," said Farber.

"I'm concerned about the businesses that are already in Oregon," McCulley said.

If Measure 11 passes without Measure 12, the state will still have to fund the relief by raising income taxes or cutting the state budget, according to an opinion



released by state Attorney General Dave Frohnmayer.

"Even if Measure 11 passes by itself, it forces the legislators to deal with income tax issues," said Farber. "They're scared to death to take on the income tax question," he said.

"It's just too risky," said Margaret J. Hallock, director of research for the Oregon Public Employees Union. "Perhaps the proponents have more faith that the Legislature will fund this in

a way that's less painful," she said.

If the Legislature decides "the effects will be on students and recipients of human resources programs," Hallock said.

"This would be a very high blow to the current efforts at restoring higher education to adequate levels," she said. An across the board cut would reduce the higher education budget by 17 percent, or \$87 million for the 1987-1988 biennium, she said.

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