

...Foes of Ballot Measures 66 and 67 using scare tactics

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Oregon, the labor and community coalition that is defending the increases. Since Sept. 25, when Oregonians Against Job-Killing Taxes turned in signatures, the group has spent another \$1 million on a direct mail and media campaign arguing that the tax increases target small businesses, and will lead to major job losses.

Both claims are demonstrably false. To understand why, you have to know more about the measures.

Measure 66 raises income tax rates on taxable income above \$250,000 for joint filers (\$125,000 for single filers). Taxable income is the income after you take deductions. All taxable income above \$15,200 a year for joint filers and \$7,600 for single filers is currently taxed by the State of Oregon at 9 percent. Measure 66 would temporarily hike that to 10.8 percent on taxable income between \$250,000 and \$500,000 a year for

joint filers (half that for single filers); and to 11 percent on taxable income above that. Starting in 2012, those rates would drop to 9.9 percent on all income above \$250,000 for joint filers (\$125,000 for single filers.) The measure also eliminates income tax on the first \$2,400 of unemployment insurance benefits received in 2009.

Opponents of Measures 66 and 67 point out that with most small businesses, profits are taxed as personal income. But that also means all business expenses are deducted from income, for tax purposes. So let's say a mom-and-pop business has \$1 million in annual revenue, but \$800,000 in expenses — rent, supplies, payroll, a car used for business purposes, equipment that depreciates in value. Assuming no other income, they clear \$200,000, and don't pay a penny extra under Measure 66.

On the other hand, a small business owner who netted \$300,000 — that's

\$25,000 a month — would pay an extra \$900 a year in taxes for two years, and then \$450 a year after that.

"Somebody who is making \$300,000, in this economy, is doing pretty well, and asking them to pay a little bit more to protect critical services makes sense," says Speaker Dave Hunt (D-Clackamas), who led passage of the tax measures in the Oregon House of Representatives. Hunt says lawmakers rejected calls from the business community for an across-the-board income tax increase, and instead crafted both measures specifically to avoid burdening small businesses or working people.

Measure 67 applies to the corporate income tax. Since 1931, corporations whose books don't show taxable income have paid a corporate minimum income tax of \$10 a year. Measure 67 raises that to \$150 a year, except for corporations with more than \$500,000 in Oregon sales, which would pay about 0.1 percent of their revenue. Corporations with over \$100 million in Oregon revenue would pay \$100,000.

Opponents say it's unfair to raise the minimum, because corporations only pay it when they're not profitable. That's not accurate, Sheketoff points out. They pay it when their books show no taxable income from Oregon activities. Many things can reduce taxable income, including losses in previous years, which can be rolled forward.

"This is why they have accountants," said Moore, the Vote Yes spokesperson. "Their accountants are employed to make sure they get out of paying taxes." The accountants earn their keep. The

corporate minimum is all the income tax paid by two-thirds of the corporations doing business in Oregon. In fact, according to the Oregon Department of Revenue, 104 companies that have over \$100 million a year in Oregon sales have been paying \$10 a year in taxes. And 77 of those are headquartered out of state.

Measure 67 also raises the tax rate on corporations that do report taxable income. Those profits are currently taxed at 6.6 percent in Oregon. Measure 67 raises that to 7.9 percent on corporate profits over \$250,000 — in 2009 and 2010; lowers it to 7.6 percent in 2011 and 2012; and returns it to 6.6 percent after 2012, for all corporate profits below \$10 million. Above \$10 million, profit would be taxed at 7.6 percent, with all revenue generated by that extra 1 percent above the current rate dedicated to the state rainy day fund.

Now you know the basics of the two measures.

Sheketoff has been playing a merry game of whack-a-mole debunking examples of small business owners who would supposedly be hurt by the measure. The Eastern Oregon rancher who told a newspaper he was all set to move to Idaho learned from Sheketoff that in fact he'd pay just \$150 a year extra under the measure. The Ethiopian restaurant owner pictured in an Associated Oregon Industries newsletter as some-

one who would "feel the pinch" turned out to be pinched only \$150, and he told Sheketoff he's proud to pay taxes, and angry his picture had been used without his knowledge.


Then there's Tillamook dairy farmer Carol Marie Leuthold. You may remember getting a letter from her in late November. Hand-signed, it was mailed out to 960,000 Oregon registered voters. In it, she said she was worried that Measures 66 and 67 would hurt her farm and the families it supports. Leuthold admitted to the Oregonian that her farm operation would pay just \$150 extra under Measure 67, but said Measure 66's personal income tax increase would affect her, because she had income from activities unrelated to the farm. In other words, she's not the struggling farmer the letter portrays: Her household's taxable income of over a quarter million dollars puts her in the top 3 percent of Oregonians.

"The claim that small businesses are going to pay this is not grounded in reality," Sheketoff said.

You don't have to be Sheketoff to play bunk-busters. Anyone familiar with the measures can do it with opposing arguments in the Voters' Pamphlet that was mailed out this week.

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111 SW FIFTH AVENUE, SUITE 1650
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