

# Oregon has to face facts and overhaul our tax system

BY ROBIN HAHNEL  
CONTRIBUTING COLUMNIST

**C**orporations and the wealthy understand where their self-interest lies in regard to taxes. It's time for the rest of us to wise up and start voting in our self-interest as well. Here are two examples from last November's election:

1. Measure 97 would have raised \$3 billion a year entirely from large corporations in such a way that it would have been difficult if not impossible for them to raise prices and pass the tax onto Oregon consumers. Yet 59 percent of Oregon voters fell victim to a \$30 million corporate advertising blitz and voted against Measure 97.

2. A vote for Donald Trump was, among other things, a vote to replace Obamacare with Trumpcare. Those who stand to lose more than \$1,000 in tax credits per year from this change supported Trump over Clinton by a 7 percent margin. And those who stand to lose more than \$5,000 in tax credits per year from the change supported Trump over Clinton by a 23 percent margin.

Why are all but the wealthy so confused when it comes to taxes and their self-interest? Why have so many of us become easy marks for corporate-funded think tanks and Republican Party propaganda?

Corporations and their think tanks and business associations have long played on two fears:

- Corporations are the job makers. If we tax them they will leave and take our jobs with them.

- Resistance is futile because corporations will pass on any tax by raising prices the rest of us pay.

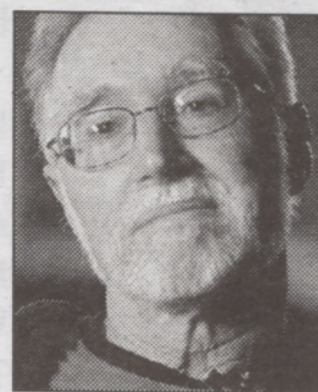
Notice that these two widely held fears are mutually contradictory: If corporations can pass on the tax there is no reason for them to leave. If they leave it is because they could not pass on the tax. But more importantly both fears are completely unfounded. Countless studies show that states that tax corporations more heavily do not suffer from more unemployment or higher prices as a result. Oregon, which taxes corporations less than every other state, does not benefit from higher employment or lower prices than other states.

Those who benefit from shifting the burden of taxation onto the rest of us also play shamelessly on two understandable sentiments:

- All of us can find some government programs paid for by our taxes which we, personally, would not buy.

- When April 15 rolls around, all of us can find someone else who pays too little compared to us.

I can testify personally that both these sentiments are very real: I do not like paying my share for 90 percent of the Pentagon



Robin Hahnel is a Professor of Economics Emeritus at American University in Washington, D.C., faculty affiliate at Portland State University, and co-director of economics for Equity and the Environment.

budget. And I am furious that a billionaire businessman named Donald Trump took advantage of a loophole so absurd it has since been closed, to pay no federal taxes for 18 years while I was paying more than 20 percent of my hard-earned wages to Uncle Sam. This is why the most effective Republican campaign slogan has long been to paint their opponents as "tax and spend Democrats."

But the universal sentiments that others should pay more and the government does not always spend my tax dollars as I would wish, is an unavoidable economic fact of life since 1: Everyone would like to ride free on others' purchases of public goods, and 2: people will always disagree over which public goods are more valuable. To wish otherwise is no more realistic or productive that to wish it would not rain in Portland during the winter.

Over the past 30 years corporate funded think tanks and Republican Party propaganda have successfully played on these fears and sentiments to hoodwink many of us into voting contrary to our self-interest, so programs we desperately need go increasingly underfunded while legislators pass tax cuts, exemptions and loopholes for corporations and the wealthy in exchange for their campaign contributions.

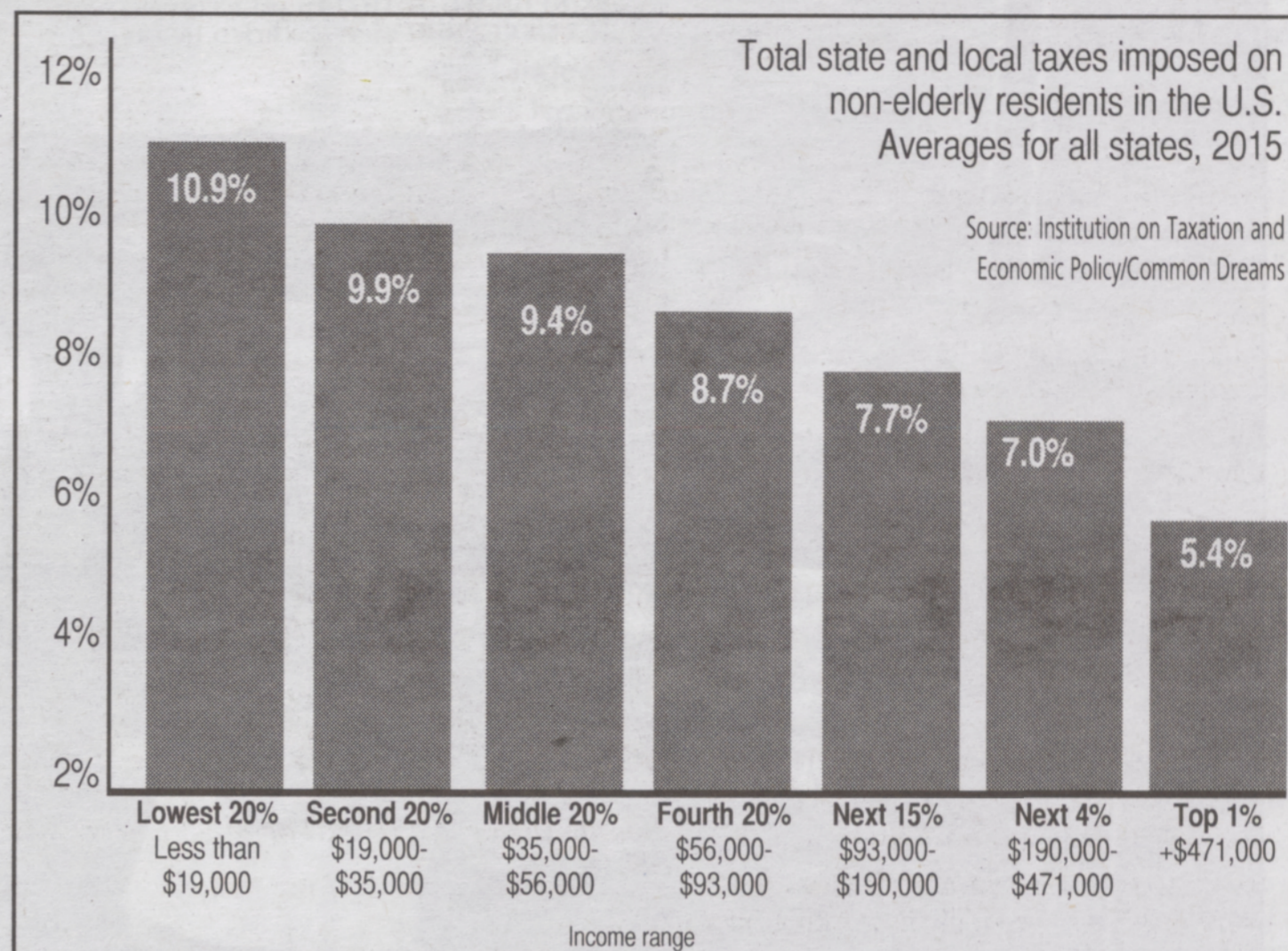
Here are some important "tax facts" – not "alternative tax facts" – people should bear in mind:

- The average tax burden in the United States is much lower than in most other high-income countries, and also far less than it was 35 years ago here in the U.S.

- Corporations and upper income households benefited most from the decline in taxation as a share of income since 1980 – which is why middle-class Americans increasingly feel over taxed.

- The share of state revenues coming from business is lower in Oregon than in every other state.

- For lack of adequate funding, K-12 public education in Oregon has deteriorated to deplorable levels: Oregon has the fourth-lowest graduation rate and the third largest class sizes in the country largely because we spend less per student than



34 other states.

- To be successful in the new global economy, countries, regions or states will need a healthy, well-educated workforce. Because Oregon is currently underfunding education and health care by more than \$3 billion a year Oregon is on a fast track to becoming Appalachia West.

- And finally, because of rising healthcare costs, a declining federal share of medicaid expansion, and a court ruling that Oregon cannot renege on a contract with retired state employees, the legislature is facing a \$1.6 billion dollar deficit immediately.

The Joint Committee on Ways and Means of the Oregon state legislature has just completed hearing testimony from concerned citizens around the state about our budget crisis. The dog and pony show is over, and now the legislature will attempt to pass a budget. Unfortunately there is little reason to hope they will do what is needed, which is: Raise revenues by more than \$3 billion annually, and make the tax system more fair by dramatically increasing the share of taxes paid by businesses. However, here are some things they can and should do:

- Pass a gross receipts tax of 2 percent on annual sales in-state of over \$100 million.

- Increase the corporate income tax rate by 1 percent.

- Reduce the top corporate income tax bracket back to \$250,000, where it was in 2012.

- Expand the state's list of tax havens to include the Netherlands, Ireland, Switzerland and Hong Kong.

- Repeal the wealthy business owner income tax break.

- Pass Governor Brown's proposal to increase taxes on

hospitals, managed care organizations and medical insurance companies.

- Cap the total that can be claimed from itemized deductions, turn itemized deductions into a credit so they benefit lower income people more, and phase out itemized deductions for higher income taxpayers.

- Reinstate the top personal income tax rates under Measure 66.

- Reform the mortgage interest deduction to eliminate its abuse by high income filers while preserving it for middle and low income filers.

The Oregon Center for Public Policy estimates that these measures would raise an additional \$5.7 billion in revenues for the 2017-19 biannual budget. This is still not enough to adequately fund K-12 and higher public education, or pick up medicare expenses which Trumpcare is about to dump on the state. But at least it would move us in the right direction.

Democratic lawmakers need to understand that Oregon's budget crisis cannot be fixed by tinkering a little here and there. It can only be fixed by a significant increase in revenues and finally making business pay its fair share. Republican lawmakers need to understand that if they continue to kowtow to national Party discipline and refuse to vote for any increase in taxes, they will be held responsible for turning Oregon into Appalachia West. And we residents need to understand that Oregon will continue to slide down that slippery slope unless we finally stop our legislators from kicking the can down the road, and force them instead to pass a landmark budget very different from the kind they have passed for decades.

