Reverse Robin Hood

County tax would hit the poor, give to the rich to fund cops/jails.

Lane County governments have come up with a solution to how to fund the huge increase in cops and jails they want — stick it to the poor and give the rich a tax break.

Ten out of 12 of the local governments taking part in a county task force committee backed a massive $60 million per year sales tax last week to about double county spending on jails, prosecutors and cops. The proposal also includes a proposal to reduce property taxes that will largely benefit big business and the rich.

The sales tax will fall hardest on the poor. The county's own consultant reported last month, "Sales taxes are inherently regressive: households with less income usually will pay a greater percentage of their income for taxes."

Economists have found this is so because poor people spend almost all their income, and often more, on things they need to subsist. But more wealthy people have the luxury of saving and investing large parts of their income, and are more likely to travel and shop outside the county. Nationwide, the average state sales tax takes about 7 percent of the income of the poor, while it takes only about 1 percent of the income of the wealthiest taxpayers, the Institute on Taxation and Economic Policy (ITEP), a national fair tax group, reported.

The county could exempt some basic items to lessen the burden, such as groceries and medicine. But that would only have a small impact on the basic unfair regressivity of the tax, economists have found.

The Oregon Center for Public Policy, an advocacy group for the poor, has reported, "Exempting food sales and other necessities makes a sales tax less regressive, but only to a small degree. Most of the state and local tax systems that place the highest tax burden on low-income households have sales taxes that exempt sales of food and other necessities, such as prescription drugs." Washington state's sales tax, for example, "takes 4.7 percent of the income of low-income households and only 0.8 percent of the income of the richest one percent of households, despite the fact that Washington does not tax sales of food."

The county's sales tax would be made even more unfair by the inclusion of a proposal to use about half of the sales tax revenue to reduce county property taxes. Research shows this tax shift would be a windfall for the rich and big businesses at the expense of the poor. Property taxes hit the poor relatively less hard than sales taxes.

Nationally, the state sales tax burden on the poor is about three times higher than the property tax burden, according to an ITEP report. For the rich, sales taxes and property taxes take about an equal percentage of their high incomes.

Businesses pay about half of all property taxes and out of state shareholders will get a big windfall from the property tax reduction while largely not paying the retail sales tax. The proposal would reduce property taxes by about $1 per $1,000 of assessed value. That property tax cut will save the Hynix Corporation about $571,000 a year, Weyerhaeuser $374,000 and Qwest $244,000 a year, based on assessed values.

The roughly half of Lane County residents who rent, including most of the county's poor people, won't get any of the property tax break. It's unlikely landlords will pass on the property tax break windfall to their tenants.

Most of the tax money would go to fund more jail beds, cops and prosecutors. Only about 11 percent of the money would go towards crime prevention and treatment programs, which are popular with Eugene voters because they are proven to save millions on expensive cops and jails.

Under the measure Eugene residents will pay more taxes to subsidize $1.6 million in rural deputies in communities that in the past have refused to pay higher taxes for the service. Eugene taxpayers may also have to subsidize the Springfield jail under the measure. After Springfield representatives issued an ultimatum that they wouldn't support the measure without it, nine of the task force members voted to include an additional $2 million for the Springfield facility.

It's unclear that all the extra law enforcement muscle is even needed. Despite years of dire warnings from the county that law enforcement is severely underfunded, local serious crime rates have been holding about level or declining for the past decade.

Besides prisons, cops and prosecutors, a sixth or more of the county measure would go to pad the county's general fund and "sustain county service levels." Hidden in the measure is also a provision that would allow the county to spend untold millions more on new offices using the months of "lapse" — the time between when it starts to collect the taxes and actually starts providing the services.

The sales tax proposal would likely go down in flames at the polls. State sales tax measures have failed by wide margins nine times in Oregon. A county survey this year found only 45 percent support for a sales tax, even with the property tax reduction component.

Recognizing this, the county proposal would impose the tax without a public vote. Voters could refer the tax to the ballot, but would have to gather more than 7,000 signatures in less than 90 days.

Another option would be to pursue a less regressive tax.

A proposal for a business gross receipts tax (GRT) was supported by 8 of the 12 local governments on the task force. A GRT imposed on a percentage of business sales would be fairer than a sales tax in that businesses would help with the tax burden. But a GRT could also have a similar regressive impact on consumers if it's passed through to local retail sales prices for groceries and other necessities, according to ITEP. Of course, many consumers of local business products are also outside the county.

A GRT on revenue rather than profits would have the advantage of not allowing businesses to dodge it with accounting schemes that reduced profits on paper. But it also could have an unfair impact on businesses with small profit margins on large sales volumes. The county could make the GRT more fair by exempting smaller businesses. Businesses with more than $1 million per year in revenues represent about 95 percent of gross receipts.

Although a GRT could be set at a low rate, it would have the problem of pyramiding. For example, salsa sold in a local grocery could be hit four times by the tax as it passes from farmer, to manufacturer, to wholesaler to retailer.

A more direct way to get to a fair tax would be an income tax on the rich and on corporations. An income tax surcharge of 14 percent piggy backed on the state income tax liability for tax returns over $100,000 would raise about $19 million, based on *EW* analysis of county data. A corporate tax of about 2 percent would generate about $6 million more. Corporations and the wealthy could easily afford the tax, which would be levied on only the richest 6 percent of county residents. **ew**

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