

Tax Attack

Critics call county tax unfair, unbalanced, unwise

By rushing to impose a \$33 million "public safety" income tax that critics call unfair, unbalanced and unwise, the county may have shot itself in the foot.

After the Lane County Commission surprised voters by enacting the income tax Feb. 21, voters surprised the county with a thundering avalanche of opposition.

Lane County Commissioner Peter Sorenson said he's received at least 500 calls or emails, 90 percent of which oppose the tax. Sorenson voted against the tax along with Commissioner Bill Fleenor.

Commissioners Bill Dwyer, Bobby Green and Faye Stewart voted to enact the tax that voters had rejected just four months ago. Now, tax opponents say they'll gather signatures to refer the tax to another vote and to recall commissioners who supported it.

The tax referral effort needs to gather only about 5,600 signatures from among the county's 180,000 registered voters in 90 days, Sorenson says. "It's going to get voted on."

At the polls the tax will have to overcome criticism that it is unfair to the poor and unbalanced, favoring jails over prevention. But the biggest hurdle may be voter anger at the county trying to bypass another vote.

Unfair

The County Commission majority chose to impose an income tax with a flat 1.1 percent rate. By comparison the federal income tax includes a graduated rate. The very rich pay a tax rate more than three times higher than the very poor.

Such a graduated, "progressive" income tax based on the ability to pay is widely seen as a basic tenet of fair taxation. The radical right has long pushed for a flat tax that would dramatically slash taxes for the very wealthy, but the idea has never had much traction. Not even the Republican Congress under Ronald Reagan was able to do away with graduated income taxes.

The county tax exempts individuals earning less than \$10,000 and families earning less than \$20,000 and includes a \$7,500 personal deduction. But the tax would still be imposed on families living below the federal poverty line at the same rate that millionaires would

have to pay.

Deductions and tax shelters available mostly for the rich could also mean that the poor and lower middle class would end up paying a higher effective tax rate than the rich.

In a hearing on the tax, Carole Grappo pointed out that the tax will burden those making well under a living wage. The commission should be careful "not to burden those who are struggling to live in this county," she said. "You need to look at a progressive tax instead of this regressive tax."

"This is really going to hurt the working poor," Sorenson lamented.

But Commissioner Stewart, a timber baron heir, said his accountant told him the rich

'You need to look at a progressive tax instead of this regressive tax.' — CAROLE GRAPPO

would pay most of the total tax revenue. He said he originally thought the tax should be a flat \$150 per person in the county, but settled for this formula instead. "I don't see the unfairness in this tax."

While taxing the poor more and the rich less, the tax will also largely skip businesses and corporations. The tax will apply to business income, but due to low rates and loopholes, the county staff estimate that individuals will shoulder 84 percent of the tax burden while businesses and corporations will pay only 16 percent.

One big loophole the county chose to include allows big businesses to avoid taxes on income from sales outside the county. That tax break will be a huge windfall to corporations like Hynix, which has millions in income but sells relatively few chips here. County commissioners have already pushed to give Hynix more than \$50 million in enterprise tax breaks over the last decade.

But the low business taxes have already won the new tax the backing of powerful business groups such as the Eugene Chamber of Commerce and Lane Metro Partnership.

Unbalanced

The county plans to spend about two-thirds of the tax revenue on criminal enforcement

rather than crime prevention.

Critics argue that crime prevention with drug, alcohol, mental health, juvenile and education programs is far more cost-effective and humane than jails, cops and prosecutors.

Marianne Holser told commissioners, "We are not safe when we don't treat our alcohol, drug addicted and mentally ill, when we don't prevent domestic violence and when we don't do programs for young children and our delinquent youth." Crime "prevention programs are not ornaments," she said. "They are necessities."

While shortchanging prevention programs, the "public safety" tax package passed by the county does include about \$650,000 a year in general fund money for county extension services.

Tax supporters argue that the income tax is urgently needed to replace funding that may

now made that goal harder to attain.

Sorenson said a fairer, graduated tax targeted at a better balance of crime prevention and enforcement would have gained wider support if it were referred to voters after Congress actually cut the federal payments and people could see a new tax was really needed. A better measure later "has a longer term likelihood of success," Sorenson said.

But Green, Stewart and Dwyer argued that with layoffs required without federal funding, there was no time to wait.

Dwyer angrily accused Sorenson and Fleenor of "political grandstand[ing]" the issue. Without the tax "we will have no option but to dismantle our public safety services and send the [staff] people down the road," Dwyer said.

Green joined in accusing Sorenson of grandstanding. He said he'd only support Sorenson's proposal if Sorenson "was the first in line" for layoffs. "We can't wait."

But with the citizen referral looming, that's exactly what the county may have to do anyway. County Administrator Bill Van Vactor told commissioners that the county likely won't budget the money until the referral is settled.

That could leave the county hanging for longer than it would have if it had simply referred the tax to an early election in the first place.

But it will be much harder to pass the tax through a citizen-referred initiative than a commission-referred vote, Sorenson said. "When you do something like this, it just makes people very angry," he said, noting that he's heard from supporters of the November

'When you do something like this, it just makes people very angry.' — COMMISSIONER PETER SORENSON

ESD could lose about \$7 million with the SRS funding cut, the county tax includes no money for schools.

It's also unclear whether the county will actually lose the \$18 million in federal funding. "It's still up in the air" says Congressman Peter DeFazio's press aide Danielle Langone.

Unwise

Commissioner Sorenson said he shares the goal of adequately funding county government, but commission conservatives have

measure who now oppose the tax. Enacting the tax that voters rejected "has unnecessarily polarized the community."

Fleenor said he shares Sorenson's concerns. "I do not want to see Lane County decimated, but I do not want to go against the will of the people," he said.

Sorenson said, "When government enacts a tax that is unfair, ultimately the people see it as unfair. And in our system of government, they have quick and adequate remedies to deal with it."

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