

Local School Funding

Council puts measure to vote, but hits poor with tax

The Eugene City Council voted 7-1 Feb. 14 to refer to the May ballot a local income tax to save schools from brutal budget cuts. But the council may have made voter passage of the \$17 million measure for kids much more difficult by subjecting people living in poverty to the tax.

The council voted for the measure after 4J and Bethel school superintendents told them that waiting for a possible November vote would likely delay revenue for a year and force more budget cuts. An ECONorthwest economist also told the council that the income tax measure for schools would have "a net positive impact on the local economy," creating hundreds of jobs.

"It's about our children, and it's about our future," Councilor Alan Zelenka said, "and it's good for our economy and good for our jobs."

Over the past three months, hundreds of parents, teachers and other concerned citizens have urged the City Council to help schools facing the threat of classrooms crowded with up to 50 kids and facing school weeks effectively cut to four days.

But as *Eugene Weekly* went to press, it was unclear whether the City Council would change the measure to address the poverty issue and make it easier to pass. Sources said councilors may seek to vote to limit the impact on the poor at a noon meeting Feb. 16.

At the Feb. 14 meeting, the council voted for the tax option with the greatest impact on the poor. Two other flat tax options prepared by city staff and consultants protected the poor by exempting joint income below \$35,000 or \$50,000.

Another plan, "Option D," also protected a large part of the city's lower middle class in addition to the poor, giving a potential big boost to measure support. The measure would have exempted taxes below \$50,000 and included a progressive, graduated income tax for higher incomes, similar to the rising rates in federal taxes.

City staff also presented the council with the option of simply setting a \$17 million limit on the tax for the measure. Then the council could take more time to carefully work out the actual tax rates and income threshold by crafting an implementing ordinance over the next three months before the election.

But at the Feb. 14 meeting, West Eugene City Councilor Chris Pryor appeared to make taxing the poor a condition for his key swing vote for a May measure for schools.

"Everybody needs to have skin in the game," Pryor argued in favor of impacting the poor. "If we can arrive at that tonight, I am willing to ask you that [ballot measure] question in May."

At Pryor's prompting, councilors replaced a motion exempting incomes under \$35,000 with Pryor's proposal to tax the poor.

Pryor's proposal includes graduated rates that are nearly flat. Everyone with joint incomes over \$22,000 would pay the same 0.9 percent tax rate. Incomes from \$10,000 to \$22,000 would pay 0.69 percent. Joint incomes below \$10,000 would pay 0.49 percent.

The council's tax measure would hit a family of four trying to survive at the federal poverty line of \$22,350 with the top tax rate for a total tax of about \$166, based on state tax forms and standard deductions.

"I think that's really unfair," Councilor Betty Taylor said of the council's move to tax the poor.

Asked after the meeting why he supported taxing people on welfare, Zelenka replied, "politics is the art of the possible."

Under the council's tax plan, millionaires would probably have a lower effective tax rate than families in poverty because the wealthy are more likely to itemize their deductions.

But taxing people so far below poverty is extremely rare. The federal income tax effectively exempts 100 percent of families below \$20,000 and 80 percent of families below \$40,000 in income, according to Tax Policy Center calculations including rates, exemptions, credits and deductions.

Even the most radically conservative proposed changes to the federal income tax do not envision taxing people in poverty. Republican billionaire Steve Forbes' "flat tax" proposal exempted families under \$46,000, for example.

The average effective state income tax threshold for a family of four is \$25,500, according to the Center on Budget and Policy Priorities. Oregon effectively doesn't tax such families below \$18,900 in income.

It's unclear even if the city tax on very low incomes would be possible. The council appears to want to base the tax on a percentage of Oregon Taxable Income, a calculated line on state tax returns. But Oregon doesn't even require families earning less than \$10,700 to file a state tax return and calculate their taxable income.

That could force the city to create a new tax collection system outside the state system that would cost far more to implement than it would actually collect. Only about 10 percent of local taxable income comes from returns with less than \$25,000 in income, according to state data.

Although taxing the poor doesn't generate much revenue for schools, it may cost the measure many votes at the ballot. A flat county income tax to fund the jail failed 2-1 in Eugene in 1999 amid criticism that it was unfair to the poor. But that tax actually was much fairer to the poor than the City Council's proposal. The county tax exempted joint incomes under \$20,000 and included a \$15,000 deduction for families.

Advocates of taxing the poor argue that it's unfair to have everyone vote on taxes that won't affect everyone,



and that it's harder to pass taxes that don't tax the poor because the rich will spend heavily on campaigns to defeat the measures.

But that's not how democracy apparently works here and in Oregon. State Measure 66 exempted joint incomes under \$250,000 and passed 3-1 in Eugene last year.

There's also little logic that the rich will only support a higher tax if it includes the very poor. The option to exempt joint incomes under \$35,000 would raise taxes on the wealthy by only 0.01 percent over the rate that would include those in poverty.

Although taxing the poor may offer little benefit while making the school income tax much harder to pass, that may have been exactly the point.

Councilor Pryor had argued against the effort to fund schools at a previous meeting as had Councilors Mike Clark, George Poling and Pat Farr, although they all claimed that they support education. Clark, Poling and Farr voted for a failed motion to postpone consideration of the measure until a possible November ballot, which school supporters said could kill the campaign to fund the schools.

Clark and Poling argued that the measure to fund schools would hurt the economy, but a report for the city by ECONorthwest, a leading economic consulting firm, countered that claim. ECONorthwest found that because the tax revenue would be spent locally, the measure would create hundreds of net jobs and millions of dollars in increased wages.

The economists found that the tax wouldn't likely drive businesses and taxpayers to locate elsewhere since other factors are more important. Instead, the tax would attract and retain businesses and taxpayers with improved schools. "The favorable impact on location and production decisions provided by the enhanced services may more than counterbalance the disincentive effects of the associated taxes," ECONorthwest reported.

EW

Papa's Soul Food Kitchen

Wants Yo' BIG ASS To... EAT SOUL FOOD!

400 Blair Blvd. 342-7500

LUNCH DINNER CATERING

Tues-Fri 12-2 & 5-10pm Sat 2-10pm

best of eugene 2009-2010

The ASUO Women's Center presents the 100th anniversary of

International Women's Day

Thursday, March 3, 2011, 7:00 p.m.
doors open at 6:30 p.m.

Agate Hall, 1787 Agate St.

Featuring Keynote Speaker
Dr. Vandana Shiva

- Performances
- Speakers
- Exhibits
- Expression

Buy Tickets at the UO Ticket Office

\$5 students

\$8 general

Further accommodations will be provided if requested in advance by calling 541-346-4095.
EO/AA/ADA ©2011 ASUO Women's Center