

REPORT FORECASTS PROS AND CONS OF PROPOSED BUSINESS TAX

Initiative Petition 28 is either a savior for Oregon schools or a doomsday tax that will ruin Oregon's economy, depending on what you've read. As it turns out, it's not so simple.

IP 28 is a proposed "gross receipts" tax — a tax on a corporation's sales without deducting costs and expenses — on businesses making \$25 million or more in Oregon sales. It would generate \$3 billion per year, and the petition to get it on the ballot asks that the money be used for education, health care and senior services.

The initiative petition has seen a spike in news coverage lately, first because the A Better Oregon campaign, which backs IP 28, turned in the signatures it needs to qualify as a November ballot measure.

Then, on May 23, Oregon's nonpartisan Legislative Revenue Office (LRO) published a report on IP 28, using a model to project how the gross receipts tax might impact the state and its residents by the year 2022.

Since investments in education may take years to reap solid economic benefits, the report says it cannot effectively estimate the impact of infusing \$1 billion per year into Oregon schools.

Additionally, because the tax proposed in IP 28 is unusual in its makeup, the report says that "both the large size of the revenue increase under IP 28 and its concentrated impact on a small group of large corporations add considerable uncertainty to the estimates."

Taking that into account, the report shows a number of positive economic benefits potentially resulting from IP 28: Oregon's volatile, personal-income-dependent tax system would become more stable, public sector growth would accelerate and improvements in Oregon's education system "should lead to a more productive workforce over time," the report says.

The report did not evaluate the long-term benefits that a sizeable investment in Oregon education might bring. IP 28's proponents say that Oregon would undoubtedly see a positive change with education fully funded.

"The economy in the long run will be vastly better off if people going to school graduate and we don't lose students to dropping out," says state Rep. Phil Barnhart, who is in favor of IP 28. "It's not easily quantifiable, and it takes a while to get there."

Barnhart says there is consensus among Democrats and most Republicans in the Oregon Legislature that schools are underfunded — Oregon's Quality Education Commission found that Oregon is underinvesting in its schools by about \$1 billion a year.

IP 28, Barnhart says, is a way to decrease class sizes, add classrooms and teachers and bring back supportive positions like counselors and nurses that were lost starting with the passage of Measure 5 in 1990, which capped property taxes and shifted school funding from the local level to the state level.

Katherine Driessen, press secretary for A Better Oregon, says that "without forecasting the huge positive economic impacts of having healthier residents and much better education outcomes, the picture of what our state will look like with IP 28 in place is incomplete."

In terms of what the LRO report did include, it wasn't all roses. It predicted a modest dampening of Oregon's projected job growth by around 20,000 jobs. This projection factored in a lack of growth in the retail trade sector and an increase in public sector jobs, with a net loss in job growth.

It also found a marginally regressive effect on the net after-tax income of Oregon households, with a 0.9 percent loss of income from households making less than \$21,000 and a 0.4 percent loss of income from households making more than \$206,000.

This means that in 2022, households would have less money under IP 28 than they would have without the tax, due to the LRO model predicting that businesses will increase prices in reaction to the tax.

"The report confirms a lot of concerns we had from the beginning, that the tax would show up in the form of higher

prices for food, medicine and utilities," says Pat McCormick, a spokesperson with Defeat the Tax on Oregon Sales, a coalition that includes the Oregon Business Association, the Oregon State Chamber of Commerce and the Technology Association of Oregon. "It's pretty explicit about how significantly that would be regressive."

However, the report says that under IP 28, "the overall distribution of the tax burden in the state is expected to remain largely proportional in contrast to the overall regressive structure found in most states." In other words, the tax doesn't interfere with Oregon's relatively progressive tax distribution, due to Oregon's continued dependence on personal income tax.

Driessen emphasizes that the model forecasts a tax paid by all businesses in Oregon at a lower rate, not the approximately 1,000 corporations as spelled out in IP 28. "It was disappointing to see that LRO's model ... was unable to actually simulate IP 28."

Driessen adds, "The economic impacts, which were still remarkably small, less than 1 percent deviations from 2022 projections, don't demonstrate what will really happen when IP 28 goes into effect."

Barnhart is also critical of the model — "the report does not do a very good job internally of describing its own limitations," he says — and he questions why businesses would invest millions of dollars in opposing the tax if it can easily be passed on to consumers.

"They claim that this is a sales tax, but if they really thought that, why would they put a bunch of money into fighting it?" Barnhart asks. "The fact that they're fighting so hard means that it's not a sales tax. It's a tax on London and New York stockholders."

Ultimately, Barnhart says, the report forecasts the worst possible outcome. "When you actually figure out the weaknesses of the report, the actual outcome will be much, much better than the report showed, and it will inure to the long-term benefit of Oregon greatly." ■

HAPPENING PEOPLE

BY PAUL NEEVEL



VICTORIA HARKOVITCH AND LISA SHEA-BLANCHARD

Growing up in Nevada City in Northern California, Lisa Shea-Blanchard got her start in community theater at age 9 with the Foothill Theatre Company. "It was a big part of my childhood," she says. "My sister and my parents were involved." Shea studied for a degree in theater at UC Davis and an MFA at the University of Wisconsin, then moved to Seattle and took a job at the Museum of Flight, where she met exhibit manager Ken Blanchard. They got married and moved to Eugene in 1995.

Fairbanks, Alaska, native Victoria Harkovitch studied elementary education at the UO and taught in Cloverdale on the Oregon Coast before returning for an MA in art history. She married John Holtzapfel and taught in Chapel Hill, North Carolina, while he went to med school at UNC. After his residency in Seattle, they moved back to Eugene in 2000 for his new job at PeaceHealth.

Harkovitch and Shea-Blanchard met while they were both working with Shakespeare in the Park, a summer series of comedies at Amazon Park. They became friends and started their own nonprofit performance group, the Roving Park Players, in 2007. "Our basic model is free theater outdoors," Harkovitch says, "and we welcome everyone who wants to do theater with us." The Players' 2016 summer season will begin with Harkovitch's adaptation of Shakespeare's *The Merry Wives of Windsor*, June 10 at Campbell Senior Center, June 11-12 at Maurie Jacobs Park, June 16-17 at Petersen Barn Community Center and June 18-19 at Island Park in Springfield. Shows start at 6 pm and admission is free. Learn more at rovingparkplayers.org.