McCall Says 80 Per Cent of Oregonians Will Pay Less Taxes Under His School Tax Reform Plan

Editor's Note: Appearing below are excerpts from a recent speech by Gov. Tom McCall to the Portland Rotary Club. It was his first public address after the legislature voted to refer the school tax reform measure to a vote of the people on May 1.

"Almost a year ago today I announced a plan for reform of the school finance structure. At that time I argued for reform on grounds that it was the decent, fair thing to do. It still is, but I've learned that advocacy of the program has its greatest impact when I answer this question: "What's in it for me?"

As a result I am here today to urge your careful deliberation on the proposed changes in tax law. I have no doubt that you all have strained to keep up with the tax reform measure as it ran its course through the legislature. But I also have little doubt that counterproposals and specious arguments have left confusion in their wake.

If you were confused by the various machinations, you were not alone. A few legislators promoted a proposal to limit state support of the schools to 57 per cent. They argued that local control would be lost if my proposal for 95 per cent support were adopted. Their rationale—if there was any—escaped me. How can local control be preserved at 57 per cent and lost at 95 per cent?

A fact of political life that somehow has eluded these people is that the legislature could assume control of the public schools anytime it chooses. That's present law, and it has been exercised with respect to teacher certification, textbooks, acreages required for schools, minimum curriculum content and in other ways.

But the legislature doesn't want to run the schools or it would have assumed the task by now. To make the point even more positively, the tax reform proposal offered to the people contains the strongest legislative commitment in history to local control.

House Bill 2004 says clearly: 'It is the purpose of this Act to strengthen the ability of each local school board to provide students with educational opportunities as determined by state goals and local needs, and to decrease the reliance upon the local property tax.'

The measure goes on to list rights and responsibilities conferred by law upon local school boards. It is a true Bill of Rights for local school boards and it should be welcomed. The only significant change with respect to local school board responsibility is that board members will be relieved at last of the tiring and wrenching task of finding enough money year after year to keep the schools open.

That's a worthy objective but not our only objective. I have said we're also seeking to obtain full educational opportunity for every child of Oregon. Page after page of statistics can be laid at your disposal to prove that equality of opportunity does not exist.

The law under consideration won't dispose of this inadequacy in the next two years either. But it does provide a way for us to begin overcoming the glaring disparities between the rich and the poor school districts of Oregon.

That's the principle I wish we could put across—the principle that every child is entitled to a sound education regardless of where in Oregon he or she lives. I anticipate that many Oregonians will approve the tax program because of this principle. Even more will vote for it because it offers the fairest approach to school finance in the last 4½ decades and possibly of all time.

We propose to finance the schools on the basis of our ability to pay. Some of us—including me—are able to pay more. But what has happened over the years is that the schools have had to put more and more reliance on property taxes. Every time the schools have had to ask for more money the burden has fallen mostly onto middle-income taxpayers. They won't put up with it anymore, and they can hardly be blamed.

I'm convinced that most Oregonians want the school tax burden lifted from property. My major reason for opposing the idea of restricting state support to 57 per cent of operating costs is that this prohibits us from putting a meaningful property tax limitation into the Constitution. I'm convinced that without a tough new property tax limitation no school finance reform measure can succeed at the polls.

GOVERNOR TOM McCALL

"Our new program is more beneficial to more businessmen, more farmers, more homeowners, more renters and more school kids than anything of its style that's been drafted anywhere."

Proponents of the plan for 57 per cent support also contend that my budget is 'reeking with fat,' and that there's plenty of money in the general fund to finance their program. But they haven't held their financing plan up to the light of day because it wouldn't stand examination.

We have trimmed the general fund budget right down to its vitals so we could set aside $130 million from existing revenue sources for the McCall school finance program. It's the deepest into the bone we can saw.

Proponents of the alternative say they see still another $110 million in the general fund budget for the schools. They haven't said how they arrive at the figure, but there's no doubt that any additional cuts they might make would work to the disadvantage of people programs right across the board. Their approach suggests high-handed squeezing of the poor, the sick and the disadvantaged.

But I hope that everyone will understand that the tax reform proposal before the voters does not give the schools any more money that they would otherwise have next year. All this program does is to put upon the state the burden of raising that money.

On the surface this program does appear to contain complexities. Those persons identified by House Speaker Eymann as the 'coalition of nitpickers' will strive to turn the few complexities into many confusions for the public. But there is no hidden meaning in the proposal, no contestable language lurking in the bullrushes.

Taken as a whole the act ought not to be condemned for its complexity, but praised for its simplicity. For one thing, the schools will have the money they need to operate, and there can be no simpler solution than that to the annual budget battle in more than 300 school districts of this state.

What also is especially clear is that we can answer, right now, that question of : "What's in it for me?" Let's assume that most of you are businessmen living in the Portland School District.

This plan will cut the property tax on your home by almost one-third—more than $11 for each $1,000 of assessed valuation. If you rent your home, you get a tax credit equal to nine per cent of your annual rent. Business property taxes will decline by one-ninth—$3 per $1,000.

There no longer will be a tax on livestock, farm machinery or inventories. Deduct that from whatever total tax you're paying now.

There is a business profits tax. If you have profit of less than $15,000 you pay nothing. If you have between $15,000 and $75,000 you pay a one per cent tax on those profits. If it's over $75,000 you pay two per cent.

Corporation income tax rates are revised and put on a graduated scale. Instead of the present rates of six and eight per cent, the rates will scale from four to nine per cent. On net income of more than $8,000 the tax will be $510 plus nine per cent of the excess over $8,000.

On the personal income side, most of you earn more than $10,000 a year. If so, you will pay 13 per cent on adjusted gross income, rather than the present 10 per cent.

In addition, the federal income tax deduction on your state return will be limited to the first $2,000 of the federal tax you pay. But this has a salutary effect—the more you pay in state taxes the less you pay in federal taxes. It is revenue sharing in reverse.

Governor Charles Sprague had a thought he often expressed about the relationship of federal and state taxes. He said his federal income tax always was about five times as much as his state tax. Governor Sprague said he would much prefer having it the other way around because he enjoyed so much the programs the state provides.

Through this tax plan we're making some inroads on the federal take from Oregon because part of the money for the school revenue program will be funds that our state's taxpayers recapture from the federal government.

Using the computations I've outlined, you'll get a very close estimate of the change in your tax liability with approval of the new school finance program.

It can be summarized too. Your homeowner tax goes down more than one-third. Your business property tax goes down one-ninth. Personal and corporate income taxes probably will go up slightly, depending upon ability to pay. You'll pay a one per cent profits tax on business income that falls between $15,000 and $75,000 annually. And—at last—you won't pay a dime on inventory.

Some of you rent the building in which you conduct your business. If you have an escalator or de-escalator clause, then your rent will decrease. If you own the building, the tax on it will decrease.

Some of the opposition is worried primarily about tax advantages it has won over the years, generally to the detriment of homeowners and renters. And if we were to accept the alternative offered to us of 57 per cent support, the retail merchant would be denied the benefits offered by what the legislature has adopted.

What is in the McCall program for you is this: The schools will have a solid financial base. Local control of the schools is made a matter of law. There is no shift in the burden from individuals to business, or from business to individuals. Approximately 80 per cent of Oregonians will pay less taxes.

I hope you are sold on the ballot measure because of the principle that educational opportunity should not be enhanced or diminished simply because of place of residence. But if you are concerned about tax impact, take it up with my office, the Department of Revenue, or your own accountant. Determine how you will be affected.

This program has unprecedented support, including that of school organizations, the League of Women Voters, Mayor Goldschmidt, the Oregon Farm Bureau and the Oregon Grange, two-thirds of the legislature, and Oregon's leading labor organizations.

Our tax program is more beneficial to more businessmen, more farmers, more homeowners, more renters and more school kids than anything of its style that's been drafted anywhere.

When you have had time to deliberate I think you will offer your support as well."