

# Rare loss from tax law leads to political standoff in Oregon

By TOM JAMES  
Associated Press

SALEM — President Donald Trump's federal tax overhaul is a short-term boon for most states, but one is set to miss out entirely: Oregon.

Instead of a bonus, Oregon faces a loss of \$217 million in the two years after the overhaul goes into effect, the largest of any state that has revealed its predictions. Democrats created a plan to avoid losing hundreds of millions of dollars, but Republicans are using it to try to make political inroads in this deep blue state.

The Democratic-controlled Legislature passed the proposal after a bitter argument, but weeks later is still awaiting action from Gov. Kate Brown, who has expressed hesitation about her own party's plan. She faces re-election in November, and Republicans said the divisive proposal is one of their main tools against her.

State Rep. Knute Buehler, a leading Republican candidate, said it amounts to "a massive tax hike."

The federal tax law that sparked the fight will mean extra money for most states. It sets up Maryland, Minnesota, New York and others for increases of a quarter-billion dollars or more and is estimated to give some increase to 14 other states and the District of Columbia, according to an analysis by the conservative Tax Foundation of the 20 states that have made revenue forecasts.

But Oregon is left out, and the political debate over how

to respond has heated up. The state Republican Party claims that the Democratic fix amounts to blocking a tax break for small businesses, while Democrats and nonpartisan state economists say it would not raise state taxes from what they were before the Trump overhaul.

Unlike most states, Oregon takes into account federal deductions when it calculates residents' state taxes. Many other states copy information from federal tax forms to calculate state taxes, but exclude federal deductions. The Trump tax overhaul also created a large new U.S. deduction.

As a result, some Oregon residents would benefit from the new U.S. deduction twice: Once on their federal taxes, and once when it gets copied onto their state taxes, effectively lowering them, too. In the two years after the overhaul takes effect, state economists forecast a \$117 million loss from tax changes, including the new deduction, and an additional \$100 million loss from a second provision of the overhaul.

Eventually the effect tapers off — by 2021, the impact of the overhaul turns positive, according to a state economist's report.

Six other states calculate their taxes like Oregon. But only two are expecting net losses — North Dakota and Montana, said Jared Walczak, a Tax Foundation analyst. Officials in both have said the losses are likely to be smaller than Oregon's, at least in the initial years. Some of the others take losses from the deduction, but see them can-

celed out by gains elsewhere in the Trump overhaul.

Giving residents in a few parts of the country a break on their state taxes was likely not intentional, said Richard Auxier, a tax researcher at the Brookings Institution who followed the drafting of the federal overhaul. The deduction causing Oregon's loss was added at the last minute.

"I think the people in Congress thought, 'that's the states' problem,'" Auxier said.

The debate over how to respond turned heated in Oregon's Legislature earlier this month and has since spilled into the gubernatorial primaries.

The Democratic plan would not interfere with claiming the federal deduction but would block it from carrying over onto residents' state taxes. But Republican and Democratic lawmakers were divided over whether blocking the deduction amounted to a tax increase.

"No one's tax bill will change if we pass this," Democratic Rep. Phil Barnhart said during debate.

Republican lawmakers said that because state laws were intended to copy federal rules, blocking the new discount singled out small-business owners.

"We're telling them, 'you can't have your tax break,'" Republican Rep. Julie Parrish said.



Sue Cody/The Daily Astorian

An increase in license fees is planned for 2021.

## Wildlife officials might drop fee hikes for hunting and fishing

Associated Press

MEDFORD — State fish and wildlife officials are considering dropping a fee increase for Oregon fishing and hunting licenses that takes effect in 2021.

The Oregon Department of Fish and Wildlife also may roll back some fees next year after revenues exceeded expectations, the Mail Tribune reported Thursday.

The department is drafting its next two-year budget, which includes options to cut the fees or enact the increases as planned and direct that revenue toward enhancing current programs.

Other possibilities for the

budget include cutting some 2019 costs for licenses, which were increased under a three-step fee hike enacted by the state Legislature in 2015.

"We've said if we ever have an opportunity to roll back our fee increases, we'd do it," said Michael Finley, chairman of the Oregon Fish and Wildlife Commission. "Right now there's good intent to do that, but it's really preliminary."

About \$6 million would be added to agency's budget if it seeks to keep the fee increases intact, said Roger Fuhrman, administrator of the department's Information and Education Division.

The agency is also considering requesting general-fund money from the Legislature to expand certain projects. Under this option, the agency's budget of about \$375 million would increase to about \$420 million, Fuhrman said.

Despite what the agency decides for the next budget, it would likely seek a license fee increase in a later budget cycle, Fuhrman said.

The agency is scheduled to begin public meetings on its draft budget proposal next month. A final proposal will be sent to the governor's office during the summer, and it will go before the Legislature next year.

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