

Tax hikes likely needed to fund Brown's budget

A gap of \$2.6 billion

By **CLAIRE WITHYCOMBE**
Capital Bureau

SALEM — Thousands of Oregonians could see more money taken out of their paychecks and companies would be writing bigger checks to fund Gov. Kate Brown's proposed budget and revamp the state's education system.

Brown needs to find \$2.6 billion more than is already being paid in state taxes to cover her proposals for the state's next two-year budget. It's likely much of that sum would come from corporate or personal income tax increases.

Currently, individual taxpayers are projected to pay \$19 billion in state income taxes the next two years. And corporations are projected to pay another \$1.1 billion.

The governor for the most part has been quiet about where she's going to get the new money. She has proposed increasing a variety of taxes other than income taxes, but that gives her about one-third of what she needs to cover her proposed spending.

The details on who would pay are yet to come.

"The governor will be



Anna Reed/Statesman Journal

Gov. Kate Brown needs more revenue to balance her proposed state budget.

engaged in working with those who will be proposing ideas, which includes the business community, Legislature and other stakeholders across the state," said Chris Pair, Brown's communications director.

"It's going to be a challenge," the governor said last week when she announced her budget plan. "I don't think it's going to be easy, but I do think it's work worth doing and attempting to do."

State House Speaker Tina Kotek, D-Portland, said she wants to raise "sustainable" revenue for the education plan through corporate or personal income taxes.

"If we're going to have the resources we need, you

have to look at the big things," Kotek said.

Pushing tax increases through the Legislature could technically be easier for Democrats, who now have a supermajority of votes in the House and Senate.

Kotek said that's no guarantee that tax changes would pass easily.

Critics already are pushing back on the idea that Oregonians need to be taxed more.

State House Republican Leader Carl Wilson, of Grants Pass, called the governor's budget a "call to drastically increase taxes on everyday Oregonians."

He noted the state already is forecast to take in an extra

\$1 billion in the next biennium without changing tax rates. The governor's move to take another \$2 billion is a challenge, he said.

"It is a challenge to the wallets and pocketbooks of hard-working Oregonians," Wilson said.

Jason Williams, the executive director of the Taxpayer Association of Oregon, also was critical.

"No amount of tax revenues" could fix what he called a "leaky" budget.

While he said that the governor's plan to hire more internal auditors could help identify government waste, that would only be effective if the state cut wasteful programs.

The state has made minor changes to income taxes in recent years.

In 2017, these included a new payroll tax to help pay for transportation projects, and changes to how certain corporations apportion income — simply put, how they figure out what they owe to Oregon when they pay their taxes.

Brown's budget already includes \$769 million in increased taxes, largely the result of a work group figuring out how to cover the state's \$623 million bill the next biennium to cover Medicaid, the government health care program for the poor

and disabled.

Health care is costing the state more money — not because the care itself is getting more expensive, but because the federal government is covering less of the bill than it used to.

A mix of tobacco and business taxes would cover the Medicaid cost, state officials said.

"The governor has balanced the budget by, in essence, getting the health care commu-

nity together to find an alternative way to pay for health care costs, instead of that cost shifting to the general fund," said George Naughton, the state's chief financial officer.

Other minor tax increases included in the budget including a higher tax on hard liquor and higher tax rates for small business owners.

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Brown wants to boost state business tax

Move needs approval by Legislature

By **DIRK VANDERHART**
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Some of the largest companies operating in Oregon could see a tax increase under a proposal being quietly put forward by Gov. Kate Brown.

Included in the two-year balanced budget Brown unveiled last week is a set of changes to the state's corporate minimum tax, which sets a floor on taxes paid by companies with sales in Oregon.

Under the tax's current structure, businesses pay a minimum of between \$150 and \$100,000, depending on their Oregon sales. (If they owe more under Oregon's separate corporate income tax structure, they pay that higher amount instead.)

Brown's proposal adds five new steps to the minimum tax, raising taxes for companies with more than \$200 million in Oregon sales. For instance, companies with between \$400 million and \$600 million in sales would pay \$400,000 under the minimum tax, instead of \$100,000 they'd pay under the current structure. At the uppermost tier, companies with sales of \$1 billion or more would be required to pay \$1 million instead of \$100,000.

The idea would need buy in from the Legislature to move forward, but it's another glimpse at strategies Brown — newly re-elected and enjoying Democratic supermajorities in both legislative chambers — is embracing as she pushes for billions in new money for schools and health care in coming years.

And, like a proposed increase in taxes on liquor, it's an idea Brown didn't highlight when she presented her budget last week. The change is noted only in passing in her nearly 500-page budget document.

Still, Brown's not the only one pushing a change in what businesses pay.

"Raising the corporate minimum is on everyone's radar screen," said state Sen. Mark Hass, D-Beaverton, who chairs the Senate Finance and Revenue Committee. "There's three or four different ways to look at reforming the way businesses are taxed here, and at the same time lowering some of the load of the personal income tax."

Hass also serves on the Joint Committee for Student Success, a bipartisan group of lawmakers who've been visiting school districts around the state, and will float ideas to sharply increase education funding next year. Hass says the committee will consider changes to the minimum tax as

part of that process. He hadn't seen Brown's proposal when reached last week.

Minimum taxes are used a lot in Oregon — nearly 70 percent of Oregon C corporations paid the minimum tax in 2015 — but according to Brown's budget, the proposed change would result in a relatively modest \$31.3 million increase next biennium. That's about 3 percent of corporate taxes.

Ideas for altering the minimum tax structure are nothing new. Two years ago, Ballot Measure 97 would have changed the tax to raise \$3 billion in new revenue a year — a far cry from what Brown has suggested.

Measure 97 failed, but the underlying notion remains popular among progressive groups. Juan Carlos Ordonez, a spokesman for the Oregon Center for Public Policy, said changes to the corporate tax structure "need to be at the center of the conversation in terms of revenue reform."

It's "great to see the governor propose raising the corpo-

rate minimum," Ordonez said. "But we need a much bigger increase in order to reinvigorate the corporate income tax."

Under the \$23.6 billion

spending plan the governor released last week, corporate taxes account for 4 percent of revenues. Personal income taxes make up 80 percent.

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