

# Sales tax opposition grows

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bate, and it would make tax forms more complex.

### Business and renters

Business would save if included in the sales tax plan. Business now pays over half of Oregon property taxes, and would get the same of an across-the-board rollback. Business (and farmers) would pay tax on goods they need, but that would come to only 20 to 40 percent of the total. So business would get over half the benefits, while paying less than half the cost, and some of that would be passed to consumers as higher prices.

Under two of the sales tax plans, landlords would receive tax relief. Renters would have to depend on landlords' willingness to pass on the savings. When California's Proposition 13—a tax limitation measure—passed in 1978, few saw their rents drop.

It's not clear whether a sales tax would be more regressive than present property taxes. Many observers believe property taxes are also regressive. A study of who pays property tax according to income will be out in the next week from the Legislative Revenue Office.

Who pays and who benefits under each of the three tax plans is summarized in the following chart. (Several Salem observers believe the Local Government plan is most likely to pass, since it's the least regressive and doesn't include business.)

in 1969 to 57 percent today. As inflation has kicked wage earners into higher tax brackets, and rates for business (and the well-to-do) have stayed the same, business' share of income taxes has fallen from 15 percent in 1978 to 9 percent today (this is due also to falling profits), he said later.

Baugh also said sales tax revenues vary wildly with the business cycle. During booms people borrow, and spending exceeds income, but in depressions people save, and cut spending to the bone. Since sales taxes depend on spending on big-ticket items, he said, states that depend on sales taxes, such as California and Washington, are in a worse bind than Oregon. California is issuing IOUs. Baugh pointed out that the unemployed continue to pay sales tax, unlike the income tax.

State Sen. Margie Hendricksen (D-Eugene), said that as more women become the sole breadwinner—"the feminization of poverty,"—women are especially affected by the sales tax.

Ron Herndon of the Black United Front has criticized the tax for having the same effect on racial minorities.

The OUSST coalition will hold an anti-sales tax rally at the State Capitol April 15th, at noon. A forum on the sales tax and other legislative issues, sponsored by the Citizens Party and including the Black United Front and Oregon Fair Share, will be held March 27, 4-6

But State Rep. Carl Hosticka, (D-Eugene), who favors raising income taxes on high incomes, cites studies that say local taxes are seventh of twelve concerns when business makes investment decisions.

Local governments want a stable revenue source to replace the politically volatile property tax (business' second concern, Borneman says). Shaken by frequent voter rejections of property levies, and three close calls on drastic tax limitation initiatives, local governments want to see "permanent and predictable property tax relief... to avoid the passage of a Measure 3-type proposal," according to a press release explaining their tax plan.

Sales tax supporters emphasize their plans would also put limits on spending and taxes into the state constitution. Critics say these limits would limit state and local governments' flexibility to deal with future growth and emergencies.

### The Legislature

A recent Eugene Register-Guard poll found most state representatives in the "Not Now," "Might Support," and "Leaning Towards" the sales tax categories. Opposition is stronger in the state senate.

Despite a Democratic majority, and opposition from the state Democratic Party, there is probably a majority in the House willing to refer a sales tax to the voters. The tax divides both parties, with leading supporters including Reps. Courtney and Vera Katz (D-Portland), and opponents including Wally Priestley (D-Portland) and Dick Springer (D-Portland). With strong lobbies on both sides, passing the decision to a special election next November may seem the easiest out.

### The voters

Voters heavily rejected sales taxes six times from 1933 to 1969. Polls show most would now favor a sales tax to offset property taxes, but the majority has fallen from 57 percent in favor to 37 percent against, last July, to 52 percent to 44 percent in a recent poll. Passage of a tax will depend on how well the fairness and relief issues are handled, and whether the media blitz business and government could put into a campaign would overwhelm the volunteer door-to-door effort by opponents.

### Other tax proposals

Several alternatives to the sales tax stand before the legislature.

State Rep. Wally Priestley favors property tax relief by means of a "homestead exemption" on the first \$15,000 of assessed valuation. An aide says this approach would concentrate relief on homes in the \$30,000-\$70,000 range, while taxes would rise on homes above \$125,000.

Rep. Hosticka and Sen. Hendricksen want to cut income taxes for 65 percent of Oregonians, including most households making \$30,00 or less. Taxes for those making more would rise, as tax brackets would widen from the present 4-10 percent range to 3-15 percent. Susan Sowards, an aide to Sen. Hendricksen, says tax brackets haven't changed since 1963, and so now with inflation nearly all taxpayers are in the 10 percent bracket before deductions. She says the Hendricksen-Hosticka plan would address this imbalance, and recover some of the Reagan tax cuts on the wealthy. Sowards says the income tax plan isn't necessarily opposed to the sales tax.

Democratic leaders such as House Majority Leader Grattan Kerans (D-Eugene) and Senate Revenue chair Jack Ripper (D-North Bend) favor a stand-pat approach: cut \$240 million from Gov. Atiyeh's budget, and don't change the tax structure. Cuts would come mostly from state workers' raises, a new prison, and property tax relief. More cuts in tax relief would risk passage of a Measure 3-type measure.

Most members of the OUSST coalition support the Hendricksen-Hosticka and Priestley measures instead of the sales tax.

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### Who Pays

	Local Government Plan	Courtney-Van Vliet Plan	Taxpayers for a Better Economy Plan
Business	0	4%	5%
Consumers (Homeowners/Renters)	2-4% (2-6% initially)	4%	5%
Revenue	\$410 million (est.)	\$800 million (est.)	\$7-800 million (est.)

### Who Benefits

	No relief	Landlords' discretion	Landlords' discretion
Business	No relief	40-50%	40-45%
Homeowners	50%	40-50%	40-45%
Renters	50%	Landlords' discretion	Landlords' discretion
Income-tax payers	No relief	No relief	25%
Government	All local governments	Schools	Schools

### The opposition

At a rally at the Grange Hall on March 12th, the OUSST coalition criticized the sales tax plans as unfair and an unstable revenue source, and supported alternatives. Community group leaders and Democratic legislators addressed a crowd of 150 at the hastily called event.

State AFL-CIO treasurer Bob Baugh said Oregon's tax system has already become more regressive in the past decade. He said tax favors given business by the Legislature have led to business' share of property revenues falling from 68 percent

p.m., at the Friends Hall, 4312 SE Stark.

### Sales tax supporters

Organized support for the sales tax comes mostly from big business and local government. Rick Borneman, spokesperson for the pro-business Oregonians for a Better Economy, says business' main concern is the state income tax, which is the second highest in the country. He says executives are convinced that the income tax is soaking up investment funds, and keeping new business out of the state.

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