

# Economist: Gross receipts plan 'sales tax on steroids'

By HILLARY BORRUD  
Capital Bureau

SALEM — The type of corporate tax proposed for a November ballot initiative by the union-backed group Our Oregon would be "like a sales tax on steroids," former state economist Tom Potiowsky said during a presentation this week.

Potiowsky made the comment in response to an audience member's question about the tax initiative, during an economic presentation at a construction industry nonprofit in Tigard Thursday. The type of tax in question, known as a gross receipts tax, is levied on the company selling goods or services. Our Oregon's initiative would tax certain corporations 2.5 percent on their annual Oregon sales above \$25 million.

"In my attempt to be colorful in explaining a gross receipts tax, I said that it was like a sales tax on steroids," Potiowsky wrote in an email on Friday. "That is, all transactions (through the supply chain) are assessed the tax, not just the final transaction (sale) to the customer."

Economists refer to this phenomenon as pyramiding and it is one of the reasons some business people at Potiowsky's talk on Thursday are worried about the corporate tax initiative.

"It's very easy to get a 10, 12, even higher percentage added onto the cost of building something because of the way this thing is set up," said Neil O'Connor, director of labor relations and a senior project manager at Western Partitions, Inc. in Tigard. O'Connor said the company, a drywall and interior finishes contractor, employees roughly 500 people in Oregon and "virtually all our field employees are union members."

Potiowsky has unique insight into how Our Oregon's proposed tax initiative could affect the state's economy, because he worked on an analysis of the potential economic impact of the measure. Our Oregon contracted with Portland State University's Northwest Economic Research Center, of which Potiowsky is the director, to conduct the analysis. The Portland Business Journal reported last year.

Ben Unger, the executive

director of Our Oregon and the initiative's chief petitioner, has so far declined to provide the findings of the economic analysis. "I'm not going to tell you what our economic analysis found," Unger said in January. "I don't think that is all that relevant."

Unger did not respond to a request for comment Friday regarding whether Our Oregon would release the findings of the analysis, and a spokeswoman for the ballot measure campaign declined to comment.

State Sen. Mark Hass, D-Beaverton, has been trying for months to get labor unions, business interests and elected officials to negotiate an alternative to Our Oregon's initiative. Hass said he would like to see Potiowsky's findings on how Our Oregon's proposal could affect the state's economy. "He's very good," Hass said of Potiowsky. "I'd love to see his work on this."

State economists in the Legislative Revenue Office are conducting a similar economic impact analysis for the corporate tax measure, but the Legislature kept them busy during the 35-day session that

ended earlier this month and they have yet to complete the work. The state economists might not be ready to present their findings until interim legislative meetings in May, but Hass and other lawmakers are lobbying for them to finish the work sooner.

"I'm trying to be respectful of their time," Hass said. "But they know there's some pressure to get this out sooner rather than later."

O'Connor, at Western Partitions, Inc., said it could be difficult for construction companies to pass the cost of the corporate tax on to customers.

"We're already struggling, dealing with, dealing with non-union competition," O'Connor said, and many Western Partitions, Inc.'s competitors could avoid the tax simply because they have different corporate structures. "So they all of a sudden gain a 2.5 percent advantage on us again," O'Connor said.

Since the company often bids on projects a couple years in advance, those prices are already set and the company could not pass on the cost of the tax to those customers

for a couple years, O'Connor said. "We're a company that keeps a lot of people working," O'Connor said. "We pay our taxes, we pay our wages, pay benies. But we are one of the companies that will probably get significantly impacted by this thing if it passes."

Potiowsky wrote in an email that he did not intend to provide commentary on Our Oregon's initiative, known as IP 28.

"So my comment was not a value judgment on gross receipts taxes or IP 28, that is, not making a statement as to whether IP 28 is either good or bad policy," Potiowsky wrote. "Very briefly, I said that much more research is needed on the likely net impacts to the economy from IP 28, and that the issue is quite complicated. I am sure that in the next months, we will see IP 28 getting a lot of medical attention from spin doctors."

*The Capital Bureau is a collaboration between EO Media Group and Pamplin Media Group. Hillary Borrud can be reached at 503-364-4431 or hborrud@eomediagroup.com.*

## Federal regulators divvying up Oregon's stored water

By MATEUSZ PERKOWSKI  
EO Media Group

SALEM — Federal regulators are again delving into the process of dividing up roughly 1.6 million acre-feet of water stored behind 13 dams in Oregon's Willamette Valley.

Those dams, from Detroit to Cottage Grove, perform flood control during the rainy winter months but also hold water during the spring and summer that's designated for joint use by irrigators, municipalities, industries, recreationists and fish.

Exactly how much water is allocated for each use is currently undefined, but the U.S. Army Corps of Engineers — which operates the dams — is under an internal deadline to ration it out by mid-2017.

The agency recently restarted the earliest "scoping" phase of the allocation process, which involves collecting information from the public on water needs.

Future irrigation demands calculated by the Oregon Water Resources Department and Oregon Department of Agriculture will be considered by the Corps.

The process of allocating the water was previously undertaken in the 1990s but was postponed by a "biological opinion" that analyzed the impact of dams on several fish

protected under the Endangered Species Act, said Mary Anne Nash, public policy counsel for the Oregon Farm Bureau.

"It halted the process while they did that work," she said.

Under a biological opinion completed in 2008, the amount of water slated for irrigation is capped at 95,000 acre feet, but the Oregon Farm Bureau and other irrigator groups hope to increase agriculture's share under the Army Corps' allocation process.

Currently, irrigators in the Willamette Valley have contracted with the federal government to use 74,000 acre-feet of the water available.

It's too early to tell how much water will realistically be devoted to irrigation under the allocation plan, which is expected to be submitted for approval by Congress in 2018, said Nash.

Apart from the water supply, growers must have the facilities to convey it to their crops, she said. "That's been a missing piece for quite a while."

Due to the expense involved, such infrastructure has largely been built near the river systems on which the dams are located, Nash said. The longer-term goal is to irrigate farmland that's further away from those sources.

Drought conditions like those in 2015 may increase irrigation demands in future years. More farmers in the region are also growing higher-value crops, such as blueberries, that require summer irrigation.

Greg Bennett, an onion farmer near Salem, said the Willamette Valley may have an opportunity to increase vegetable production as California farmers continue to face water scarcity.

"I'm really hoping we can realize the value of what we have," he said.

While the 13 dams have the capacity to store 1.6 million acre-feet, that represents ideal water conditions, said Kathryn Warner, an environmental scientist at the Corps.

Realistically, the dams hold about 1.4 million acre feet of water during an adequate year, and 500,000 acre-feet are dedicated to in-stream uses for fish under the current biological opinion.

The amount designated to irrigation could rise above 95,000 acre feet, but the entire allocation plan must be reviewed under the National Environmental Policy Act, Warner said.

This process will include inter-agency consultation on species impacts and may require another biological opinion, Warner said.

## BRIEFLY

### Many don't have workplace retirement

BEND (AP) — The Oregon State Treasury says about 1 million Oregon residents have no way to save for retirement through their employers.

The Bulletin reports that figure is more than 40 percent higher than the previous estimates of Oregon workers who lack access to work-based retirement plans.

The total combines workers whose employers do not offer retirement plans, workers who are not eligible for their employers' plans and self-employed Oregon residents who do not have retirement plans.

Members of the Oregon Retirement Savings Board, who are designing the state retirement plan, heard the estimates during a meeting Tuesday.

Workers not covered by employer's retirement plans would be automatically enrolled and contribute to the Oregon

Retirement Savings Plan, unless they opt out, as soon as July 2017.

### Grounded vessel in Columbia River; no sign of oil in water

PORTLAND (AP) — A 623-foot bulk carrier ran aground in a narrow part of the Columbia River near Cathlamet, Washington.

The U.S. Coast Guard says the vessel loaded with grain was heading west with a river pilot still onboard when it ran into trouble early Monday. Two tug boats are on the scene to keep it stabilized.

The vessel named Spama contains more than 200,000 gallons of high sulfur fuel and about 40,000 gallons of diesel. Capt. Dan Travers of the Port for the Columbia River says responders have not seen any oil in the water.

The cause of the incident remains under investigation.

## Corrections

The East Oregonian works hard to be accurate and sincerely regrets any errors. If you notice a mistake in the paper, please call 541-966-0818.

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— Founded Oct. 16, 1875 —

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333 E. Main St., Hermiston 541-567-6211  
Office hours: Monday through Friday, 8 a.m. to 5 p.m.  
Closed major holidays

www.eastoregonian.com

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East Oregonian (USPS 164-980) is published daily except Sunday, Monday and Dec. 25, by the EO Media Group, 211 S.E. Byers Ave., Pendleton, OR 97801. Periodicals postage paid at Pendleton, OR. Postmaster: send address changes to East Oregonian, 211 S.E. Byers Ave., Pendleton, OR 97801. Copyright © 2016, EO Media Group

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### Single copy price:

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## AccuWeather.com Forecast

TODAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
53° 38°	57° 43°	53° 39°	54° 33°	59° 38°
60° 39°	61° 45°	59° 42°	61° 31°	62° 36°

### PENDLETON TEMPERATURE FORECAST

Today	Wed.
53° 44° sh	54° 44° r
47° 28° sh	52° 38° pc
45° 25° sf	52° 38° pc
53° 41° sh	56° 45° pc
45° 26° sf	50° 33° pc
43° 30° sf	48° 33° pc
54° 41° sh	59° 45° pc
52° 34° sh	55° 40° pc
60° 39° c	61° 45° pc
48° 37° sh	54° 42° pc
45° 24° sf	53° 32° pc
49° 34° sh	54° 39° pc
45° 32° c	50° 36° pc
55° 36° c	61° 42° pc
52° 44° sh	54° 46° c
55° 44° sh	58° 47° pc
55° 34° c	57° 37° pc
59° 38° c	61° 44° pc
57° 43° sh	58° 46° c
50° 26° c	55° 36° pc
56° 42° sh	59° 46° c
49° 35° c	49° 39° pc
46° 32° sh	51° 37° pc
55° 43° sh	56° 46° c
52° 40° c	57° 44° pc
61° 34° c	62° 40° pc

### ALMANAC

#### PENDLETON

through 3 p.m. yesterday

TEMPERATURE	HIGH	LOW
Yesterday	60°	35°
Normals	56°	36°
Records	78° (1915)	19° (1913)

24 hours ending 3 p.m. 0.25"  
Month to date 1.15"  
Normal month to date 0.92"  
Year to date 3.52"  
Last year to date 2.02"  
Normal year to date 3.47"

#### HERMISTON

through 3 p.m. yesterday

TEMPERATURE	HIGH	LOW
Yesterday	59°	35°
Normals	59°	35°
Records	78° (1934)	20° (1944)

24 hours ending 3 p.m. 0.35"  
Month to date 0.98"  
Normal month to date 0.64"  
Year to date 2.47"  
Last year to date 1.25"  
Normal year to date 2.91"

### SUN AND MOON

	Full	Last	New	First
Mar 23	Mar 31	Apr 7	Apr 13	

### REGIONAL FORECAST

Coastal Oregon: Mostly cloudy today with a few showers. Partly cloudy tonight with a few showers.

Eastern and Central Oregon: A shower in places today; however, a snow shower near the Cascades.

Western Washington: Mostly cloudy today with brief showers. A couple of showers across the south tonight.

Eastern Washington: Mostly cloudy today with a shower; snow, accumulating 1-3 inches in the mountains.

Cascades: Mostly cloudy today. A shower; snow, accumulating 1-3 inches in the south.

Northern California: Mostly cloudy today; a shower; however, a bit of snow in the interior mountains.

### REGIONAL CITIES

	Today			Wed.		
	Hi	Lo	W	Hi	Lo	W
Astoria	53	44	sh	54	44	r
Baker City	47	28	sh	52	31	pc
Bend	45	25	sf	52	38	pc
Brookings	53	41	sh	56	45	pc
Burns	45	26	sf	50	33	pc
Enterprise	43	30	sf	48	33	pc
Eugene	54	41	sh	59	45	pc
Heppner	52	34	sh	55	40	pc
Hermiston	60	39	c	61	45	pc
John Day	48	37	sh	54	42	pc
Klamath Falls	45	24	sf	53	32	pc
La Grande	49	34	sh	54	39	pc
Meacham	45	32	c	50	36	pc
Medford	55	36	c	61	42	pc
Newport	52	44	sh	54	46	c
North Bend	55	44	sh	58	47	pc
Ontario	55	34	c	57	37	pc
Pasco	59	38	c	61	44	pc
Pendleton	53	38	c	57	43	pc
Portland	57	43	sh	58	46	c
Redmond	50	26	c	55	36	pc
Salem	56	42	sh	59	46	c
Spokane	49	35	c	49	39	pc
Ukiah	46	32	sh	51	37	pc
Vancouver	55	43	sh	56	46	c
Walla Walla	52	40	c	57	44	pc
Yakima	61	34	c	62	40	pc

### WORLD CITIES

	Today			Wed.		
	Hi	Lo	W	Hi	Lo	W
Beijing	60	40	c	58	29	pc
Hong Kong	72	66	sh	74	62	sh
Jerusalem	60	47	s	69	57	s
London	54	42	pc	54	41	pc
Mexico City	74	51	pc	78	54	pc
Moscow	29	17	sn	28	16	sf
Paris	52	39	pc	52	40	pc
Rome	72	51	t	61	45	c
Seoul	55	36	pc	54	32	pc
Sydney	71	62	sh	77	64	s
Tokyo	58	46	pc	59	42	pc

### WINDS

(in mph)	Today	Wednesday
Boardman	WSW 10-20	WSW 8-16
Pendleton	W 10-20	WSW 8-16

### UV INDEX TODAY

0	2	3	3	2	0
8 a.m.	10 a.m.	Noon	2 p.m.	4 p.m.	6 p.m.
0-2, Low	3-5, Moderate	6-7, High	8-10, Very High	11+, Extreme	

The higher the AccuWeather.com UV Index™ number, the greater the need for eye and skin protection.

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### NATIONAL WEATHER TODAY

Shown are noon positions of weather systems and precipitation. Temperature bands are highs for the day.

**National Summary:** Most areas from the Four Corners to the Atlantic coast can expect sunshine today. Warmth will expand in the South Central states. Rain and snow will affect the Upper Midwest and the Northwest.

**Yesterday's National Extremes:** (for the 48 contiguous states)  
High 94° in Imperial, Calif. Low 5° in Grand Marais, Minn.

### NATIONAL CITIES

	Today			Wed.		
	Hi	Lo	W	Hi	Lo	W
Albuquerque	75	37	pc	58	30	pc
Atlanta	68	45	s	73	55	pc
Atlanta City	52	47	pc	64	49	pc
Baltimore	59	47	pc	69	49	pc
Billings	52	29	c	51	33	sn
Birmingham	68	50	s	73	58	pc
Boise	50	33	c	55	38	pc
Boston	47	39	s	55	39	c
Charleston, SC	69	50	s	79	57	s
Chicago, IL	65	46	pc	73	52	pc
Chicago	61	46	pc	50	41	r