# **NORTHWEST**

# 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.

struggling, "We're already 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 acrefeet, 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 acrefeet 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 interagency consultation on species impacts and may require another biological opinion, Warner said.

**REGIONAL CITIES** 

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### 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 selfemployed 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

BRIEFLY

### 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 Sparna 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

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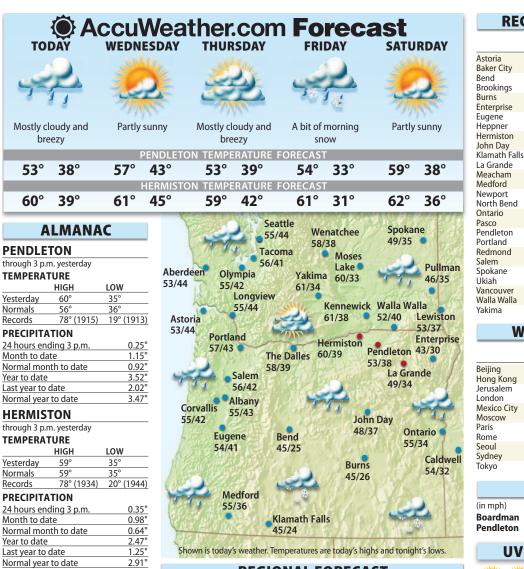
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Coastal Oregon: Mostly cloudy today with

a few showers. Partly cloudy tonight with a

Eastern and Central Oregon: A shower in

places today; however, a snow shower near

few showers.

#### SUN AND MOON

Full	Last	New	First
Moonset	today		6:37 a.m
Moonrise	e today		6:41 p.m
Sunset to	night		7:11 p.m
Sunrise to	oday		6:54 a.m

the Cascades Western Washington: Mostly cloudy today with brief showers. A couple of showers Mar 23 Mar 31 Apr 13 across the south tonight. Apr 7

**REGIONAL FORECAST** 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.

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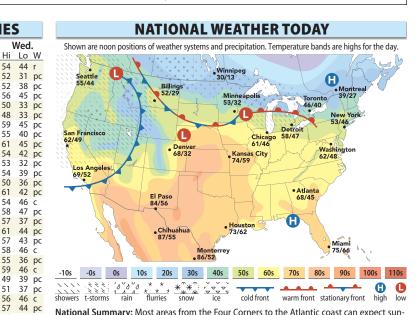
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National Summary: Most areas from the Four Corners to the Atlantic coast can expect sunshine today. Warmth will expand in the South Central states. Rain and snow will affect the Upper Midwest and the Northwest.

Yesterday's National Extremes: (for the 48 contiguous states) High 94° in Imperial, Calif.

Low 5° in Grand Marais, Minn.

### NATIONAL CITIES

NATIONAL CITIES												
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Atlantic City	52	47 p	c 64	49	рс	Miami	75	66	рс	81	73	рс
Baltimore	59	47 p			рс	Milwaukee	53	36	С	40	32	r
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Birmingham	68	50 s	73			Nashville	67	50		71	60	рс
Boise	50	33 c	55			New Orleans	71	60	S	78	66	рс
Boston	47	39 s	55		-	New York City	53	46	рс	67	49	рс
Charleston, SC	69	50 s	79			Oklahoma City	78	58	S	77	37	S
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Chicago	61	46 p			r	Philadelphia	57	47	рс	69	49	рс
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Dallas	75	62 s	83			Portland, ME	44		рс	46	30	r
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Fairbanks	33	11 p				Reno	50	29		58	33	-
Fargo	44	26 c	39			Sacramento	63	43		68	44	-
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Houston	73	62 s	77		1	Salt Lake City	48	35	sh	49	35	sn
Indianapolis	62	49 s	63		-	San Diego	67		рс	73	54	-
Jacksonville	70	48 s	78		-	San Francisco	62		рс		51	-
Kansas City	74	59 s	77			Seattle	55	44	-	54	44	С
Las Vegas	70	49 s	69			Tucson	84	49	рс	73	43	рс
Little Rock	70	55 s	72			Washington, DC	62	48	рс	72	54	
Los Angeles	69	52 p	c 75	55	S	Wichita	81	54	S	73	33	S

Weather (W): s-sunny, pc-partly cloudy, c-cloudy, sh-showers, t-thunderstorms, r-rain, sf-snow flurries, sn-snow, i-ice.

#### 34 c 62 61 WORLD CITIES

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Hong Kong	72	66	sh	74	62	sh	
Jerusalem	60	47	S	69	57	S	
London	54	42	рс	54	41	рс	
Mexico City	74	51	рс	78	54	pc	
Moscow	29	17	sn	28	16	sf	
Paris	52	39	рс	52	40	рс	
Rome	72	51	t	61	45	c	
Seoul	55	36	рс	54	32	рс	
Sydney	71	62	sh	77	64	S	
Tokyo	58	46	рс	59	42	рс	
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0-2, Low 3-5, Moderate 6-7, High; 8-10, Very High; 11+. Extreme ber, the greater the need for eye and skin protection.

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The higher the AccuWeather.com UV Index<sup>™</sup> num

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**UV INDEX TODAY** 

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