

Families weigh uncertain costs, benefits of Measure 97

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OPB/The Oregonian

Short school years. Large class sizes. Untreated drug addictions. A ballooning deficit in state pension accounts.

What if you could tackle several of Oregon’s chronic funding issues in one shot?

That’s what the backers of Measure 97 have in mind with a one-of-a-kind tax engineered to make large corporations pay the bills for several state programs. They say the \$3 billion in new cash expected each year would build up the state by forcing businesses to contribute taxes more equitably.

The money doesn’t come out of thin air, though, and it may not be just large corporations paying the bills. Consumers across Oregon will wind up paying, too — even if how much, and for what, remains entirely unclear.

Utilities, for example, have a legal right to pass along higher costs to their customers. But some academics and economists expect consumers will end up paying more for everything from cable TV to gas and groceries.

“I think that’s almost certainly the case and I don’t think anyone really disagrees with that. The issue is: How much?” said Fred Thompson, a professor of public policy at Willamette University.

Because of the way initiative backers wrote the tax, exempting certain businesses while taxing others, some prices may rise more than others. Predictions, though, vary considerably.

A study by the nonpartisan Legislative Revenue Office last spring estimated the total cost to a typical Oregon family might be



Produce Manager Aaron Mitchell places stickers on apples in 2015 at the Pendleton Safeway store. Safeway would have to pay the gross receipts tax if Measure 97 is passed.

EO file photo

\$600 a year in higher prices and, for some kinds of jobs, diminished wage growth. Supporters have countered that prices set nationally are unlikely to change.

“It really is a giant step in the dark,” Thompson said. “There is no tax anywhere in the world that works like this one.”

Ben Unger, the former Democratic lawmaker now leading the Yes on 97 campaign, argues the tax is “designed to be a noticeable reinvestment, to restore what’s wrong.”

“And in order to do that,” Unger said, “everyone knows we’re talking about billions of dollars in reinvestment, not millions.”

Here’s what makes the measure unusual:

- The initiative creates a 2.5 percent tax that applies to most sales in Oregon above a \$25 million annual threshold. Few other states have a gross receipts tax like this, and no one has a tax rate this high.
- Most sales taxes, which are

similar to a gross receipts tax, exempt wholesale trades, like when a grocery store purchases beer from a distributor. Measure 97 has no such exemption, so that could create a “pyramiding” effect, with new taxes piled atop one another at each level of the supply chain — potentially triggering price hikes greater than the 2.5 percent tax.

• A conventional sales tax charges the tax at the cash register, and consumers see it every time they make a purchase. Measure 97 embeds the tax in the cost of the product, so it’s not apparent how much — if any — of the added cost retailers pass on to consumers.

• Sales taxes generally exempt food from taxation. Measure 97 does not, though its supporters insist grocers would not pass their higher taxes to consumers.

• Some businesses are exempt from the tax — partnerships, for example, and companies organized for “public benefit.”

If two companies in the same industry are taxed at different rates, what happens to prices? Neither New Seasons nor WinCo would pay the tax, for example, but Safeway, Fred Meyer, Walmart and Costco all would.

So if WinCo keeps its prices fixed, does that mean Fred Meyer has to absorb the cost of the tax to remain competitive? Or does it mean that Fred Meyer raises prices to cover its higher costs and WinCo matches, taking a higher profit?

At this point, Thompson said, the answers are theoretical. He said academics would love to study Measure 97 in action, but warns consumers may not be pleased.

“I really find it intellectually exciting,” said Thompson, who said he will be voting against the tax. “I just wish these exciting experiments were carried out somewhere else, rather than where I live.”

Polls show Oregonians closely split on the measure as they weigh the benefits of boosting state support for schools and other key services against the initiative’s implications for businesses, and its impact on pricing. Though lawmakers will face pressure to spend the new money as directed, that’s not guaranteed.

To Bobbi Harrold Frost, a dairy farmer in Creswell, Measure 97 is a sales tax in disguise. She’s opposing it, worried the tax would compound down the supply chain and eat into her family’s budget.

“It’s like being able to go and visit my husband’s family in Utah at the holidays,” Harrold Frost said. “That’s travel money. That’s plane-ticket money.”

Monmouth retiree Patty Taylor-Dutcher is all in, lamenting the current state of Oregon schools.

“I’m just such a believer in education, because I’ve seen the benefits of education among my own family,” she said. “And I’ve seen the sad outcomes when kids aren’t well educated and aren’t prepared for any jobs.”

Her husband, Don Dutcher, is wary of what the measure would mean for prices. But he said he’s leaning toward supporting it, even if he’s not happy about it.

“I suspect deep down that I will support the measure. But I’m going to be thinking of every reason why I shouldn’t,” he said, right up until he marks his ballot.

Opponents are quick to assert consumers will pay more under Measure 97 — tossing out numbers as high as a 6 percent spike in grocery prices. It’s all guesswork, though, and the measure’s backers scoff at the notion of any price hike at all.

The Yes on 97 campaign points to newspaper ads that show groceries advertising the same prices across states, and say big retailers aren’t likely to create a separate pricing structure just for Oregon and won’t raise prices in the rest of the country to offset a new tax in a relatively small state.

“They set their prices nationally so I doubt it’s really going to have an impact on the consumers,” agrees Roberta Mann, a tax law professor at the University of Oregon who supports the measure. She testified about the initiative’s impact before a citizens commission that voted narrowly to support Measure 97.

Pressed on the measure’s benefits, backers will talk only in general terms. How many more school days each year? How many fewer kids in the average class? Supporters won’t even guess. But they insist families will enjoy real, tangible benefits.

BRIEFLY

Cliven Bundy to pay for own lawyer in Nevada case

LAS VEGAS (AP) — Nevada rancher Cliven Bundy has decided to pay for his defense lawyer after he initially told a judge he might want taxpayer help defending himself from charges related to a 2014 armed standoff at his ranch.

Bundy told U.S. Magistrate Judge Peggy Leen Thursday that he needs public help paying for a lawyer ahead of his February trial on charges of conspiracy, threatening officers and more.

The *Las Vegas Review-Journal* reports Bundy then changed his mind and told the judge he’d pay for his own attorney because he doesn’t want “government handouts.”

Leen approved after Bundy showed he has about \$300,000 in assets.

Bundy is among 19 people accused of organizing a standoff that stopped federal agents from rounding up cattle from public land near his ranch.

Bundy denies U.S. government authority over rangeland around his property.

Oregon man sentenced in Iraq contract case

ALEXANDRIA, Va. (AP) — A former State Department employee has been sentenced to more than four years in prison for helping to steer \$2 million in government contracts to a company half-owned by his son.

The U.S. Attorney’s Office for the Eastern

District of Virginia announced Friday that 65-year-old Kenneth Apple of Beaverton, Oregon, was sentenced to 50 months in prison and ordered to pay about \$1.9 million in restitution.

Prosecutors say Kenneth Apple also provided non-public information to his son Jonathan Apple, enabling him to win the contracts for micro-dairies to be used in Iraq.

Priest charged with purchasing sex with juvenile prostitute

EUGENE (AP) — Authorities have arrested a Eugene priest accused of drug offenses and purchasing sex with a juvenile prostitute.

Eugene police said 42-year-old Daniel MacKay was arrested Wednesday during a sting operation in which a detective posed as a minor and arranged a meeting with him.

The *Register-Guard* reports the detectives were led to MacKay after Eugene police arrested an underage girl on charges of prostitution last month. The girl said she had been with MacKay on several occasions.

MacKay is charged with purchasing sex with a minor, sexual misconduct, patronizing a prostitute, endangering the welfare of a minor, unlawful possession of cocaine, and using a minor in a controlled substance offense.

The newspaper reports MacKay is a priest at a Serbian Orthodox church and also teaches at Lane Community College.

Federal government raises pressure on Oregon over IDs

PORTLAND (AP) — Oregon is facing increasing pressure to adopt federal standards for its driver’s licenses and state-issued IDs before residents face additional scrutiny at secured areas, including airports.

The U.S. Department of Homeland Security has granted the state another extension of its deadline to comply with the Real ID Act of 2005, which laid out a series of standards for state-issued ID cards.

Though previous extensions have been in effect for a year at a time, the latest

will last through June — just long enough for the Legislature to convene. Alaska, California and Virginia all received similar limited extensions, while several other states received an entire year.

Congress passed the Real ID Act in response to the 9/11 terrorist attacks. It requires higher standards of proof of legal U.S. residency and additional security measures that make the cards harder to replicate.

The Oregon Legislature in 2009 banned the DMV from spending state funds to comply with the federal act,

which lawmakers saw as an unfunded mandate. Since then, the state has routinely and successfully sought deadline extensions.

Lawmakers briefed on the issue earlier this year showed no sign of reconsidering, and transportation officials said there was no legislation planned to change the state law.

Sen. Bill Hansell, R-Athena, said last month he plans to submit legislation for next session that would allow individual Oregonians to choose whether to comply with the federal law.



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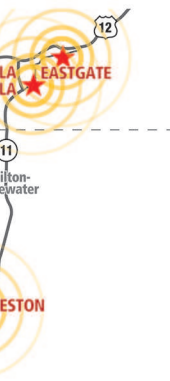
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