

TAXES: Republican leaders called for addressing the state's costs first

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upcoming two-year budget.

Hass has been leading the charge on efforts to vet changes to the tax system. Legislative Revenue Officer Paul Warner called the information presented Tuesday a "guidepost" to drafting a formal tax proposal.

Under the plan, a new tax would apply to all businesses with more than \$150,000 in annual sales in Oregon. Companies with sales between \$150,000 and \$1 million would be charged a flat rate of \$250, while those with sales of more than \$1 million would pay the flat fee and a percentage of gross receipts exceeding \$1 million. That percentage remains undecided.

The nonpartisan Legislative Revenue Office estimated by extrapolating information from Ohio that a rate of .25 percent, combined with eliminating the corporate income tax, would bring in an additional \$288 million in the upcoming two-year budget if both policies started Jan. 1, 2018. At the high end, a 1 percent rate could bring in about \$3.1 billion in the next two-year budget.

Some Democratic lawmakers, including Hass, seemed eager Tuesday to distinguish the proposal from Ballot Measure 97, a tax proposal voters rejected in November.

That proposal, brought forward by union groups, would have created a gross receipts tax, but at a 2.5 percent rate, and just on certain corporations with annual gross receipts of more than \$25 million. It was expected to bring in about \$6 billion per budget period.

A gross receipts tax could affect certain businesses differently. A grocer, for example, typically has low profit margins compared to professional services firms such as lawyers' offices.

Washington state's business and occupation tax accounts for these differences in sectors by assessing different rates for different sectors, while Ohio has opted for one rate in its commercial activities tax to keep the base wide, and therefore rates low, according to Legislative Revenue Office documents prepared for Tuesday's meeting.

The Legislative Revenue Office says that the disadvantages of a gross receipts tax included "pyramiding" — when a tax is assessed at multiple stages of the production process — and "upward pressure" placed on consumer prices.

Detractors say a gross receipts tax could be regressive, as people earning lower incomes pay a greater share of their income on consumer goods. Part of the proposal discussed Tuesday includes lower rates for income taxes for lower-income earners, expanding the earned income tax credit and increasing the standard deduction and personal exemption credit.

In proposing a plan, the work group aimed for four policy "principles", Warner said, including a broad base and a simplification of state business taxes.

In the wake of Measure 97's failure, labor groups have maintained their call for changes to the state's revenue system, and in particular, higher business taxes. They say their aim is not just to address the \$1.6 billion gap presently before lawmakers, but what they characterize as the structural pitfalls of a budget that relies heavily on the personal income tax.

"We'll be watching closely to see if this plan generates revenues above and beyond the deficit," SEIU Local 503 President Steve Demarest said in a prepared statement. "Because that's what Oregon needs to make real investments in education, healthcare, and other critical public services."

Brighter Oregon, a business group, that has coalesced around the state's budget issues, contends the proposal merely passes costs onto consumers in the style of Measure 97, and said that changes to the state's revenue system could wait until the Legislature adjourns in July. "Consideration of tax increases to fund vital investments can occur once cost controls are in place," said Sandra McDonough, president and CEO of the Portland Business Alliance.

A Better Oregon — a coalition of groups calling for increased business taxes — claimed businesses are "stalling."

"This is yet another example of business' brazen moving of the goal posts when it comes to meaningful compromise," said Hannah Love, campaign manager for A Better Oregon, in a statement.

A Brighter Oregon has said they are willing to consider revenue reform once the legislature prioritizes economic growth and containing the state's costs. Yet another, separate group, calling itself Priority Oregon, has formed opposition specifically to any gross receipts tax.

Republican leaders in the legislature also called for addressing the state's costs first, saying they believed Oregonians would reject another gross receipts tax, which they characterized as a descendant of Measure 97.

"While I appreciate the efforts of Sen. Hass, I do not believe Oregonians would support this latest rendition of Measure 97," said House Minority Leader Mike McLane, R-Powell Butte.

By contrast, House Majority Leader Jennifer Williamson, D-Portland, called the plan a "great step forward" and argued it would simplify business taxes, stabilize school funding and relieve "working families."

A bipartisan group of legislators released a broad list of possible strategies to address the state's cost drivers April 21; last week, the governor announced efforts to step up the state's debt collection and make changes to collective bargaining with public employees.

Lawmakers on the tax reform committee will continue discussing business taxes at their next meeting Thursday morning.

AP source: Yates to testify on warning White House on Flynn

WASHINGTON (AP) — Former acting attorney general Sally Yates is expected to testify to Congress next week that she expressed alarm to the White House about President Donald Trump's national security adviser's contacts with the Russian ambassador, which could contradict how the administration has characterized her counsel.

Yates is expected to recount in detail her Jan. 26 conversation about Michael Flynn and that she saw discrepancies between the administration's public statements on his contacts with ambassador Sergey Kislyak and what really transpired, according to a person familiar with that discussion and knowledgeable about Yates's plans for her testimony.

The person spoke on condition of anonymity so as not to pre-empt the testimony.

The person said Yates is expected to say that she expressed alarm to

White House counsel Don McGahn about Flynn's conversation with Kislyak. White House officials have said that Yates merely wanted to give them a "heads-up" about Flynn's Russian contacts.

Flynn was ousted weeks after the Yates conversation with White House officials. They initially maintained Flynn had not discussed Russian sanctions with Kislyak during the transition period, but after published reports said the opposite, then admitted he misled them about the nature of that call.

Government 'needs a good shutdown,' frustrated Trump tweets

WASHINGTON (AP) — President Donald Trump declared Tuesday the U.S. government "needs a good shutdown" this fall to fix a "mess" in the Senate, signaling on Twitter his displeasure with a bill to keep operations running. But Republican leaders and Trump himself also praised the stopgap measure as a major accomplishment

and a sign of his masterful negotiating with Democrats.

On the defensive, Trump and his allies issued a flurry of contradictory statements ahead of key votes in Congress on a \$1.1 trillion spending bill to keep the government at full speed through September. After advocating for a future shutdown, the president hailed the budget agreement as a boost for the military, border security and other top priorities.

"This is what winning looks like," Trump said during a ceremony honoring the Air Force Academy football team. "Our Republican team had its own victory — under the radar," Trump said, calling the bill "a clear win for the American people." Late in the day, the White House said he would indeed sign the bill.

Yet Trump's morning tweets hardly signaled a win and came after Democrats gleefully claimed victory in denying him much of his wish list despite being the minority party. They sounded a note of defeat, blaming Senate rules for a budget plan that merited closing most government operations.

Wednesday Morning

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Table with columns for Station, Time (12 PM, 12:30, 1 PM, 1:30, 2 PM, 2:30, 3 PM, 3:30, 4 PM, 4:30, 5 PM, 5:30) and Program Name.

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