

# Local, State & Nation

## Tax sticker shock: Americans used to refunds surprised to find they owe

■ Experts say many people still ended up paying less in taxes than the year before

By Sarah Skidmore Sell  
AP Personal Finance Writer

Wait, I owe the IRS?  
The first tax filing season under the new federal tax law is proving to be surprising, confusing — and occasionally frightening — for some Americans, especially those accustomed to getting money back from the government.  
Take Andy Kraft and Amy Elias of Portland. The couple had grown comfortable getting a small refund each year, a few hundred dollars or more. Then they found out they owe \$10,160 this year.

"I will never forget the moment, I thought 'We look good' and then we added in the next W-2 and my jaw hit the floor," Kraft said. "There was no way I wanted to believe that what I was looking at was accurate."

President Trump promised a reduction in taxes with the new law. And by most measures, the majority of Americans will see one. The nonpartisan Tax Policy Center projected the tax law would reduce individual income taxes by about \$1,260 on average, although it benefits higher earners more.

Some people already saw the benefit in the form of bigger paychecks. That's because the law forced employers to change what they withheld. But the system is far from perfect, and many workers didn't have enough in taxes set aside. Now, the IRS wants that money.

In addition, the law also eliminated personal exemptions, increased child credits, limited popular deductions and generally upended many familiar practices that determine what happens at tax time. That has taxpayers feeling a bit unmoored.

"We were very comfortable with our tax law, it had basically been there since 1986, suddenly all these things that were very important to people changed ... it's all different," said Howard Gleckman, a

senior fellow at the Tax Policy Center.

Kraft and Elias are able to pay their tax bill but he's still stunned. He even tried to reverse-engineer things to figure out where they went wrong, diving into page after page of IRS rules. He painstakingly put together all the numbers. The couple ultimately asked a CPA to verify the figures they were seeing on TurboTax. Crushingly, they were correct.

The couple's effective tax rate was lower, but they still owed the government.

"I feel like I have reached a stage of grief of acceptance," he said. "In a twisted way I should have been paying this all year and now I just have to pay it in one lump sum."

A number of experts such as Gleckman are urging taxpayers to obsess less about their refund or what they owe when measuring the effect of the new tax law. These are just a sliver of your tax picture.

But the truth is, many Americans have come to rely on refunds. About three-quarters of U.S. taxpayers typically get one and they had averaged around \$2,800. For some low-income households it is the biggest cash infusion of the year.

The IRS reported Thursday that the average tax refund as of the second week of filing season was \$1,949, down 8.7 percent from the year earlier. The total number of refunds is down 16 percent.

Experts caution it is too early to draw conclusions about a tax season that ends in April. Plus, the number of returns — 27 million as of Feb. 8 — is down 10 percent from a year ago, due in part to the partial government shutdown. The picture will become much clearer as more filings are processed, refunds are issued and the IRS gets back up to full speed.

All the same, the initial results have surprised early filers and worried those who

haven't yet tackled their taxes.

Part of the problem centers around how employees and employers adjusted (or didn't adjust) withholdings from paychecks to account for the law's changes. The government issued updated withholding guidelines to help employers determine how much to set aside from an employee's paycheck to cover taxes. Withhold too much and you get a refund at tax time; too little and you owe.

It is at best, an estimate. But it's an estimate that grew drastically more difficult to make under the new law.

The Government Accountability Office estimated in a report last summer that about 30 million workers had too little withheld from their paychecks, which made their take home pay bigger but increased their tax liability. That's about 3 million more workers than normal.

Few taxpayers appear to have heeded the IRS' advice to do a "paycheck checkup" to make sure they had the proper amount withheld. Payroll processor ADP, which is responsible for paying one out of every six Americans, said the vast majority of people in its system didn't update their withholdings last year.

Some taxpayers who did make adjustments found they couldn't get it quite right.

Kevin McCreanor of Milton, Georgia, and his wife normally get a sizeable refund each year — it was more than \$12,000 last year. While they know waiting for a large refund isn't the best strategy financially, they like a refund and they put anything they get back toward their daughters' education. Their income, earned primarily from his wife's job in telecom, can vary greatly, so there was comfort in never facing a big bill.

The couple increased her paycheck withholdings to ensure the same but found they are only getting back \$519 this

year. Their income and tax rate did increase, and McCreanor acknowledges there is probably more he could have done to prepare but he is very disappointed all the same.

Some surprises were welcome, however. Brian Goodell and his wife typically face a tax bill of anywhere from \$10,000 to \$15,000 each year. But this year the Tigard couple is getting a \$15,000 refund. They believe they got some benefit from the increased child tax credit. They also made more charitable donations and increased their withholdings. While Goodell isn't entirely sure why it worked out so well, he'll gladly take the refund.

Taxpayers can get a better sense of how they fared by looking at their tax liability or effective tax rate. This information is often available on the summary received from an accountant or tax preparation software. They can also look at the "total tax" on those summaries or form 1040. These are not perfect measures either, but provide some perspective.

And remember that getting a refund is not necessarily a good thing. Breaking even is really the best outcome from an economic point of view. If you get a refund, that means the government has been holding onto your money when you could have been using it.

Additionally, consider that taxes are rarely an equal comparison from year-to-year, said Eric Bronnenkant, the head of tax at Betterment and a CPA and certified financial planner. People's lives change in ways that can dramatically influence their taxes, such as marriages, divorces, kids, moving or job changes. The average taxpayer might not realize the full impact some of these changes might have.

"I am not surprised by the reaction people are having," Bronnenkant said. "I think for some people the reaction is more justified than others."

## Council talks property rules

By Casey Crowley  
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The Baker City Council plans to approve the current version of a more stringent property maintenance ordinance and then evaluate its enforcement before deciding whether to make changes in the future.

Councilors met in a work session Tuesday night at City Hall.

They passed the first of three required readings of the ordinance Feb. 12.

The ordinance would allow the city to ask the Baker Justice Court judge to declare properties that meet certain criteria, such as accumulations of trash, as chronic nuisances and potentially ban access to them, including by the owner, until the property is cleaned up.

City Manager Fred Warner Jr. had suggested one addition to the ordinance. The addition, based from a similar ordinance in Hillsboro, would allow the city to ask the Justice Court for immediate action if the city believes the property poses a current threat to public health, safety, peace or welfare.

During Tuesday's work session meeting the council also reviewed a similar ordinance from Bend.

Last week the council decided to hold the work session to discuss how to deal with properties that have immediate dangers to the public. This was at the suggestion of Councilor Randy Schiewe, who had said that he was concerned about the speed of the process.

The current ordinance does have a section that allows for properties that are immediate dangers to be dealt with faster, but it doesn't specify how fast cases will go through the court.

Baker City Police Chief Dustin Newman said with cases that involve clearly uncooperative residents, police can try to move more quickly.

"The (current) ordinance has done exactly what the ordinance is suppose to do it just takes too long and we just do the same thing," Newman said.

The property that prompted Warner to propose the revised ordinance is at 1975 Birch St. The city has twice paid to remove trash from the property, most recently in January.

Five people attended Tuesday's work session, including two people who live near the Birch Street property. Several neighbors attended a council meeting in December to urge councilors to do something about that property.

Also attending Tuesday was Christopher Christie, who submitted written comments prior to the Feb. 12 meeting arguing, among other things, that the proposed ordinance punished poor residents.

The council and other attendees discussed possibly defining "adequate sewer and water" which is one of the criteria that can be used to define a chronic neighborhood nuisance. They ultimately moved on from those discussions after concerns about how specifying the meaning could affect those don't use city water and sewer services.

"It's not illegal to live like a pig," Newman said.

## CARBON

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### Spending plan

Dembrow said cap and trade targets four main areas of concern, including carbon reduction, sequestration, adaptation and climate resilience.

While the Oregon Constitution mandates that any money collected from fuel suppliers must be spent within the State Highway Fund, HB 2020 establishes a Climate Investment Fund that can provide grants to help pay for such activities as weatherizing homes, installing wind and solar power and improving irrigation efficiency.

Kemple said farms and ranches would be eligible to receive this funding, making their businesses cleaner and more sustainable in the long run. "We're very supportive of the policy," she said. "There is an opportunity there for agriculture as well."

Farms and ranches could also sell allowances on the open market generated by projects that sequester carbon — known as offset projects — though specific details are still subject to rule-making.

A 72-page economic report on the cap and trade proposal, prepared for the Carbon Policy Office, states the policy may actually boost job growth over the long run.

## PGE plans renewable energy project, including batteries, in Morrow County

PORTLAND (AP) — Portland General Electric is making plans to build the nation's first large-scale renewable energy project that combines wind turbines, solar panels and battery storage.

The Wheatridge Renewable Energy Facility will be built just north of Lexington, located about an hour's drive from Pendleton in Eastern Oregon, and would generate enough energy to power 105,000 homes.

The battery storage

capacity will be the largest in Oregon and one of the largest in the U.S., said Steve Corson, a spokesman for Portland General Electric.

Oregon's renewable portfolio standard will require 50 percent of customers' electricity to be from renewable resources by 2040. This project would help PGE meet that requirement, he added.

It will also help fill the gap left when PGE's coal fired power plant in Boardman closes at the end of 2020.

Renewable energy projects with battery storage are thought to be the key to overcoming one of the biggest challenges with renewable power: It's intermittent. In other words, it's only available from wind farms when the wind is blowing, and from solar arrays when the sun is out.

In Morrow County, where the project would be located, spring winds are strong and solar is most powerful in the summer. Battery storage allows that power to be saved

for when people need it most, like when lots of people are coming home from work and cooking dinner. Renewable energy advocates said that's especially important when it's very hot or very cold.

The new facility should begin operating its wind turbines in December 2020. The solar and battery projects should be operational in 2021.

It will create up to 300 jobs during construction and around 10 full-time jobs once the project is built.

IDAHO CAMP HOUSED MORE THAN 9,000 PEOPLE OF JAPANESE ANCESTRY DURING THE WAR

## Idaho honors Americans interned during World War II

By Keith Ridler  
Associated Press

BOISE — Idaho Gov. Brad Little on Monday issued a proclamation to recognize and remember the people of Japanese ancestry imprisoned at the Minidoka internment camp in south-central Idaho during World War II.

Little signed the proclamation in the governor's ceremonial office in the Statehouse with a former prisoner from the Minidoka camp in the audience.

Ninety-three-old Sadami Tanabe lived at the camp in the 1940s after being relocated with his parents and

three siblings from Oregon when he was 16. It was part of the federal government's plan to remove people of Japanese ancestry from the West Coast.

"I was just a kid," Tanabe said after the signing ceremony concluded. "I guess they had to do it — the evacuation. I don't know the right or wrong on that issue. I was there for three years at Minidoka."

Starting in 1942, when the U.S. was at war with Japan, around 120,000 people of Japanese ancestry were ordered by the U.S. government into prison camps around the country. The camp in Idaho housed

more than 9,000 people. It's now the Minidoka National Historic Site managed by the National Park Service.

"The Japanese American community has been such an integral part of the state of Idaho for a long time," Little said after signing the document and giving the pen to Tanabe. "We need to remind ourselves of a time when they were really resented, and bad things happened, and that's why we do this."

During his time at the Minidoka prison camp, Tanabe made model airplanes. Sometimes the model planes flew outside the barbed

wire and guards allowed Tanabe to retrieve them.

Tanabe's family lost most of their belongings and their orchard in Oregon while being held in Minidoka. After the war, Tanabe continued making model airplanes, and moved to the Midwest where he won competitions with them.

He returned to Boise in 1949 and eventually got a job with St. Alphonsus hospital in Boise as a janitor, but transitioned to biomedical equipment tech with his mechanical skills. He continued making model airplanes.

"It was a hard time trying to make

a living," said Tanabe, who attended the signing ceremony with his daughter. "Even here in Idaho after the war."

The National Park Service has asked Tanabe to make a replica of model planes he made while being held in Minidoka. Officials say they would like to display the plane at the historic site's visitor center that's planned to have a grand opening this summer.

"It's important we remember these things," Little said. "Most people in Idaho think we're exempt because of where we are — isolated. But we're not, and this is a good example."