

Governor Outlines Thoughts on Tax Program; Legislature In Disagreement

People Must Speak On New Tax Form, Patterson Declares

Ignoring Referendum Said Unsound Finance

By ERIC ALLEN JR.
Mail Tribune City Editor
Salem—The problem of state finance—and that means taxation—is the central problem of this 48th session of the Oregon Legislature. And it is also one of the problems uppermost in the mind of Gov. Paul Patterson.

Governor Patterson outlined a tax program in his legislative message which did not meet with the approval of a lot of members of the legislature. But many of them hesitate to quarrel openly with him on the problem. His principal suggestion was a repeal of the provision in state law which permits federal income taxes to be deducted from income before state income taxes are figured.

Small Chance

It is pretty generally conceded that this proposal has small chance of passage at this session.

Because of the fact that controversy is raging about virtually all types of tax proposals, including a sales tax, I asked him to outline his basic feelings on the matter.

The governor believes that Oregon is now at a point where income from present methods of taxation are reaching the limits of the ability of the taxpayers to pay.

"At the same time," he said, "I feel that under the state constitution, the people themselves must speak as to what new type of tax they want."

Not Sound Finance

"For the legislature to make this decision, and to rely on a new base, thus subjecting state income for the succeeding 18 months to a question, is not sound public finance. The legislature should use present, approved methods of providing a tax program."

The governor's reference here is to the fact that each piece of new tax legislation is subject to referendum, and traditionally each such new law is referred to a vote of the people. Such referral automatically holds up the effectiveness of any new tax law for a minimum of 18 months. When urged to go ahead and write what taxes they feel are needed, and "let the chips fall where they may," legislators can reply that they would not be fulfilling their obligations to keep the state going in the meantime. The sales tax, for instance, has been defeated by such a vote five times, and a cigarette tax has been rejected several times.

Should Initiate It

Governor Patterson continued, "If the people of Oregon want a new tax (and a sales tax is the one most commonly mentioned) they should initiate it. It takes 250,000 to 300,000 people to approve a new tax. And if there are not 20,000 people who are enough interested to initiate such a measure, there would be little hope of its being approved by a vote of the people." The governor reiterated

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Economy-Minded Legislature Seeks Sales Tax Alternative

Salem—This is an economy-minded legislature.

Seldom in recent years have senators and representatives been so conscious of the costs of government and so determined that taxes shall be increased only as absolutely necessary.

It now appears unlikely that this session of the legislature will approve a sales tax, unless the problem of raising money to pay for the state's services gets worse—a lot worse.

The action this week of the ways and means committee in voting to make an attempt to cut some \$20,000,000 was just a symptom of the seriousness with which legislators view the overall problem. (Many legislators do not think this cut can be made without crippling the state.)

What To Do?

But if the legislators are not to approve a sales tax (which, by the way, a majority of them probably favors), what will they do to keep the state operating in the black?

In an interview, State Sen. Rudie Wilhelm, Portland, chairman of the senate committee on taxation, and State Sen. Phil Lowry, Medford, a member of the committee, told of tentative

his statement that the budget he presented to the legislature is a good, sound and conservative one, with no "fat" left in it. He pointed out that the department of finance and administration, and the budget division have brought in a basic budget, with no frills and with no increases in service.

This, he intimated, may be difficult for the ways and means committee (which must pass on all state spending) to realize after many years of taking full responsibility for line-by-line checking of each state budget. If the committee comes to realize that only realistic, basic budgets are going to be presented under the new set-up, all they will have to do is examine the general policies of the budget, approve or reject them, and then bring out those portions which conform to the policies they adopt.

Would Shorten Session

This could be done in 30 days, he said, and shorten the length of legislative sessions appreciably.

There are many good, sound men in this session of the legislature, Governor Patterson said. But both the house and senate are suffering from the lack of their most experienced leaders from prior sessions. Many of the new men are potential leaders who are now "feeling their way," and pretty much going their own way, the governor said. He feels that more unity, and sense of direction through experienced leadership, are needed.

plans which they see as a possible — and admittedly "stop gap"—solution, at least for this biennium.

The budget as presented by the governor calls for the expenditure of about \$200,000,000, plus \$18,000,000 for new buildings, both of the institutional type and for higher education. The first step would be to pare this building sum down to a bare minimum for previously approved structures, or about \$10,000,000.

Deficit \$55,000,000

Thus, with an overall spending budget proposed at \$210,000,000, and with expected revenues at \$155,000,000, the deficit to be faced is \$55,000,000.

Senator Wilhelm thinks the ways and means committee can cut perhaps \$5,000,000 from the budget without seriously hurting anyone (although he believes the proposed \$20,000,000 cut is impractical).

Resulting deficit: \$50,000,000. He also feels that estimates of revenue from state income taxes for the 1955-57 biennium are about \$5,000,000 too conservative. He would increase the estimates by about that amount.

Resulting deficit: \$45,000,000. He also feels that income from the Oregon Liquor Control commission, and from the tax on insurance premiums, can be increased for an overall total of about \$3,000,000 or \$4,000,000.

Resulting deficit: \$41,000,000 or \$42,000,000.

Increase Income Tax

Next, his suggestion would provide for an increase in the state personal income tax of somewhere around 30 or 40 per cent. Just how this would be done — by an across-the-board increase, by an increase mostly in the higher brackets, or some other adjustment—has not been decided. But it is estimated that about \$25,000,000 could be raised in this manner, perhaps \$20,000,000.

Resulting deficit: \$11,000,000 or \$12,000,000.

Finally, the proposal also calls for a 3 cents per package tax on cigarettes, to raise about \$10,000,000.

Resulting deficit: \$1,000,000 or \$2,000,000.

That's pretty close to a balanced budget.

Two Assumptions

But this whole structure, which even its advocates admit is purely a device to get the state by during the next two years, without really facing up to the long-range problem of state finance, is predicated on two assumptions:

1. The legislature, on a non-partisan basis, is determinedly opposed to the collection of a state tax on property; and
2. The legislature will not pass a sales tax this year, despite the fact that it appears a ma-

jority of the members favors it, on principle.

The sales tax, through its repeated defeats at the hands of the voters of Oregon, has come to be a bugaboo to members of the legislature.

There is an increasing feeling that sentiment throughout the state is more favorable toward a sales tax now than at any time in the past. There have been evidence that farm groups, heretofore unalterably opposed to such a form of taxation, are beginning to think of it as a sound proposition—and far better than an increase in real property taxes.

Voters Uninformed

But these same legislators also have the feeling that the voters of the state are perhaps not well enough informed on just how desperate the state's financial pinch is to go for such a new form of taxation—any more this year than in years past.

And while they haven't said so publicly, there is the thought that by cutting down state services, by juggling and patching and scrimping, they will create a public consciousness of how important state services are, and of how a basic revision in the tax structure is more and more becoming an overriding necessity.

All of the foregoing could be overturned by other developments during this session, however.

Difficulties Seen

Perhaps the ways and means committee, in going over the already "tight" budget simply cannot, in all conscience, cut it any more. Perhaps it will be decided that the building program, in a state which is growing as rapidly as Oregon, cannot safely be brought down to a bare and precarious minimum.

If these things happen — and they might—these tax planners may have to throw in the towel and start over again from scratch.

And if they do, you'll be hearing more about that old bugaboo—Sales Tax.

Ellsworth Prepares Bill For Two Dams in State

Washington — (U.P.)—Rep. Harris Ellsworth (R-Ore.) said yesterday he is preparing legislation to permit local utility companies in Oregon to develop the power phases of the contemplated multi-purpose dams on the Santiam river and the McKenzie river.

Hollywood — (U.P.)—Elizabeth Taylor will celebrate two birthdays Sunday, her own and that of her second child who will be delivered by caesarian section in Santa Monica Hospital.

Dead line Sunday Classified is at noon Saturday; 10 a.m. Monday for Monday; other days 5:30 previous day.



HOLDUP LOOT RECOVERED—Loot from the \$300,000 jewel robbery in San Francisco was recovered when police opened safe deposit box belonging to alleged "fence," J. James Brumback, who maintains he was duped by the holdup gang into storing their loot. Shown above after box was opened are Police Lt. Marty Lee (left), holding packets of jewels; Dr. Brumback (2nd from left); Police Capt. James English, seated before \$160,000 cash; and insurance representative M. P. Voorhees (standing right).

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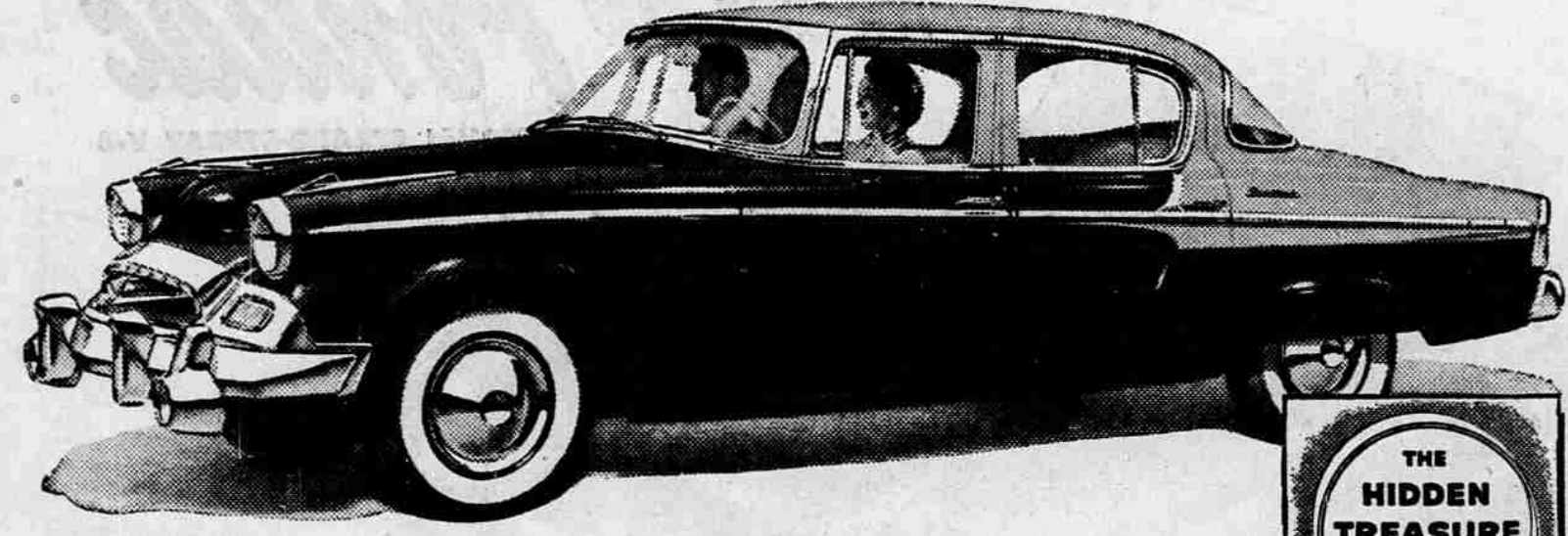
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