

Stopgap to Permanence: Can Legislature Do It in 1955?

Senator Lowry Tells Of Tax Discussions As Session Nears End

(Editor's note: The Oregon Legislature is nearing adjournment, held back only by the necessity of presenting a finished program of taxation. The debate is far from resolved, and the "situation is changing from hour to hour." In the following article, Medford's State Sen. Philip B. Lowry, a member of the Senate committee on taxation, describes in detail the thinking of legislators, the possibility that a sales tax may be enacted, and the other phases of the one big problem which the legislature has yet to solve before it can go home.)

By STATE SEN. PHILIP LOWRY

From patchwork and stopgap to attempted permanence in our Oregon tax structure is the goal of strong elements of both the Senate and House Tax Committees at this moment.

Whether these efforts will be successful is still uncertain. The final decision, in any event, will probably rest with the voters, at a special election during the summer.

The Senate Tax Committee Tuesday concluded another in a series of frequent and lengthy meetings to re-review the situation. Oregon taxes are going to have a new big look during the next two years. The only alternative is that the voters will, in effect, say to the legislature that they want no new taxes, but prefer to reduce basic school support, welfare and higher education.

These are the substantial items in the budget and the only place where any real cutting is possible.

Facts Stated

Reduced to very plain facts, it now appears that the Ways and Means Committee will submit a final budget requiring new revenue of \$62,200,000. This will be scaled down only to the extent that the recommended building program of \$14,900,000 is reduced. Re-checks of existing revenue sources resulted in the Senate tax committee's eliminating any

hope for increases from present tax sources.

It may be that we are on the conservative side in deciding that income, excise, liquor and insurance premium taxes will show no increase. However, it is the belief of the members of the committee that conservatism in public finance is better than to assume the risk of a deficit at the end of the biennium on June 30, 1957.

The House Tax Committee plan submitted to the Senate had upped these estimates by \$6 1/2 million. Testimony before the Senate Committee showed that we would have to experience a considerable upturn in the Oregon economy to justify increasing the estimates and that there has been no noticeable change in the rates of current collections, which would justify counting upon these increases.

New Taxes Planned

New taxes already passed or likely to pass have been added as follows:

Increased tax on insurance premiums	\$1,500,000
Markup on liquor	2,500,000
Removing utility exemption	920,000
Cigarette tax	8,800,000
New corporate income tax (separate from corporate excise tax)	200,000

To this, the House added an

item of \$3,700,000 resulting from the increase in the withholding tax from 1 per cent to 2 per cent. This does not represent a new source of revenue. It simply accelerates the time when the state receives the money and would never again be available unless withholding rates were again increased.

These new taxes cannot go into effect in time to yield revenue for the full two-year period of the biennium commencing July 1, because we cannot attach the emergency clause to any tax legislation. They will become effective 90 days following adjournment. For that reason, it is necessary for the Senate Tax Committee again to scale down the estimates of the House Committee as to the expected yield of the new taxes.

Attractive Figures

Simple arithmetic produces the result, after arriving at these decisions, that the balance to be raised by increased income taxes, a sales tax, a state property tax, or a combination of them, is \$44,580,000. This is a staggering figure when credit is given for the \$7 1/2 million surplus which we anticipate will be on hand on July 1, 1955.

Assuming that the legislature adopts the recommended building program of \$14,920,000 and decides to finance it currently, rather than from bonds, the required increase in income taxes to meet the deficit is not 32 per cent, as the House estimated, nor around 50 per cent, as we calculated last week in the Senate Tax Committee, but instead about 60 per cent. If the cigarette tax is referred and defeated, the income tax increase required would have to be approximately 70 per cent, unless we let part of the load fall on a state property tax.

The overall percentage increase to any given individual would, of course, vary in accordance with the effect of his Federal tax deduction. Surplus Almost Gone

This situation results from the near exhaustion of the wartime surplus and the fact that

population increases in Oregon have stretched our state institutions to the bursting point.

If the state is going to take care of prisoners, tubercular patients, the feeble minded and mental cases, it must shortly expand its facilities to do so, unless we are willing to allow these institutions to operate on a substandard scale. The day of reckoning is at hand, and the days are gone when we can any longer count on the war surplus to allow us to spend around \$20,000,000 annually in excess of revenues, as we have done for so long.

Opinion is somewhat divided in the legislature as to whether the building program should be bonded or paid from current appropriations, and whether it should be held to around \$10,000,000. Bonding requires an election, which, if not immediately called, would delay start of construction on urgently needed buildings.

Interest Factor

Bonding also brings in the interest factor and reverses the traditional Oregon policy of paying for its state institutions from current appropriations. On the other hand, a bond program would soften the blow to the Oregon taxpayer in the immediate future. Heretofore, we have had no hesitancy to vote bonds to construct highways and pay the Veterans' bonus. As yet, we have not even figured out a way to discharge the bonus bonds.

If we adopt the bonding approach and it is approved by the voters, it becomes an open invitation to future sessions of the legislature to take this method, and that may not be altogether desirable.

The Ways and Means Committee should soon advise us what the extent of the building program will be and its method of financing. At that point, we will know exactly how much revenue will be required, and we can make a final calculation as to how stiff the income tax increase will be, if we are going to use that approach.

Doesn't Criticize House

It should be made absolutely plain that no criticism is due the House and its Tax Committee for the program submitted to the Senate. Budget savers hoped for by the House Committee have not materialized. Governor Patterson's budget has proved to be very tight, without eliminating existing state services. Also, the House hoped that the building program could be held to a smaller figure and this may yet be possible. Too, the House was anxious to send the Senate the framework of a tax program as soon as possible, because all revenue bills must originate there. We have had the advantage of reviewing estimates on an up-to-the-minute basis and also have had the benefit of public reaction to the House program.

The Senate Tax Committee is now exploring the impact of an income tax increase going as high as 60 or 70 per cent, with due consideration as to how this should be spread among the taxpayers falling in the different brackets. This means our re-examining all the various income tax proposals from progressive bracket increases to a universal income tax in the light of the highest increase which may be necessary.

Encouraged Sales Tax Bill

Our Senate Tax Committee, by a vote of 5 to 1, encouraged the House Tax Committee to send us a general sales tax bill, in order that it could be considered as one of the possible solutions of the problem. We now know that the House has such a sales tax bill ready, but it is very uncertain whether it will be favorably acted upon in the House. This we should know within the next couple of days. It is also possible that the an income tax increase going as high as 60 or 70 per cent. If the Senate should approve, there would then be the question as to whether the House would concur in view of the fact that the 32 per cent increase income tax bill had a margin of only one vote in the House.

Despite press reports, a majority of the Senate Tax Committee is still reluctant to put out a sales tax bill. Senator Steen and I have stated that we will vote to put it before the Senate, if the House enacts it.

The present thinking of a majority of the House Tax Committee is to enact increased income tax legislation in whatever amount is required to meet the apud the move toward a vision that their increases and ex-

tensions to the lower-bracket taxpayers will not go into effect, if a general sales tax is adopted at a special election of the voters to be called within approximately 60 days after adjournment.

Like anyone else, we read the newspapers. The Oregon Journal applauds the move toward a sales tax. The Oregonian, on the other hand, deprecates the rush in this direction, describing it as premature.

We know that many other editors, as well as the public, wonder why we cannot make up our minds in less than 100 days. Members of the Tax Committees do not live in a vacuum and we are aware that there has been a significant change in the attitude of Oregon voters toward the sales tax since we convened. We cannot, of course, determine the extent of the shift.

At the outset of the session, we had an inexact idea of the extent of the deficit. Moreover, it takes time thoroughly to go over a \$200,000,000 budget. Announcement of legislative interest in a sales tax will enable us to get an additional reaction from the public. This could, to a large extent, influence the outcome within the next few days.

My own belief is that we should exercise our own judgment as to the best way to solve the problem, and if the voters decide to reverse us, we must then return for a special session. Strategic considerations, in my opinion, should not enter into the picture in making our decisions as to how to finance Oregon for the next two years. Without question, it is a difficult task to do this, knowing that our judgment can be upset by referendum on an income tax, a sales tax or a cigarette tax.

Has Fared Badly

Heretofore, the sales tax has fared badly at the polls in Oregon:

	For	Against
1933	45,603	167,512
1934	64,677	156,182
1936	32,106	187,319
1938	112,172	219,357
1944	96,697	269,276
1947	67,514	180,333

The Jackson County figures are also interesting:

	For	Against
1933	2571	4024
1934	4555	3193
1936	1710	5380

1938 3110 7031
1944 4201 8142
1947 3019 5240

In the midst of all this is one very hard fact. A failure of any one of the substantial new taxes could result in the automatic collection of the state property tax to the extent of the 6 mill limitation for the first time since 1942.

To Jackson county property owners, this would mean between 8 and 9 mills, because bonded indebtedness is not within the 6 mill limitation. There is general agreement on the Tax Committees that this is to be avoided if at all possible. This decision, however, is in the hands of the voters who have the right to decide what taxes, if any, will be referred.

To Close Loopholes

The Senate Tax Committee has worked steadily during the session to draw and pass a series of bills eliminating tax avoidance and tax evasion devices to the fullest possible extent. They have not attracted wide attention, nor will they raise great amounts of revenue, but they do indicate that we have been diligent in closing as many loopholes as possible.

A broad base tax is inevitable in Oregon, if we are going to continue the rate of public expenditure established for the past several years. We have not felt the full shock of school requirements that are going to be upon us within the next few years. A growing population in Oregon has brought financial problems which have not confronted previous legislatures.

My hope is that the legislature will adopt, and the public will sustain, principles of taxation which will have permanence.

BILL SENT TO GOVERNOR

Salem — (U.P.) — The House passed and sent to the governor yesterday a bill which would give a person the right to demand a jury trial in Municipal Court if conviction would subject him to a penalty of more than 10 days in jail or a fine of more than \$100.

GREEK GUILTY?

Atlanta, Ga. — (U.P.) — Thieves broke into a Greek Orthodox church here and stole a typewriter that will write nothing but Greek letters, police reported.

Gen. Ridgway Offered Job by Kaiser Firm

Oakland, Calif. — (U.P.) — Officials of the Henry J. Kaiser Company have disclosed the firm has approached Gen. Matthew B. Ridgway, Army chief of staff, about joining the company when he retires next August.

A company spokesman said last night that Edgar Kaiser, president of the firm, confirmed he has been discussing the matter with Ridgway in Buenos Aires, where both men are now visiting.

Kaiser said no decision has been made as yet.

Actress, Band Leader En Route To Honolulu

Hollywood — (U.P.) — Actress Mamie Van Doren and band leader Ray Anthony hopped a plane to Honolulu early today for a "vacation" jaunt that possibly may end with a wedding.

Anthony admitted as he boarded a Pan American airliner that they "could very well" be married on the trip.

CARS COLLIDE

Cars driven by Stanley W. Merrell Jr., 211 North Peach st., and George A. Galbraith, 1165 Morrow rd., collided at the intersection of Highway 62 and Bid-die rd. at about 3:53 p.m. yesterday. Damage was confined to the right front and side of both vehicles. There were no injuries, and no citations were issued, officers said.

Dead line Sunday Classified is at noon Saturday; 1 a.m. Monday for Monday; other days 5:30 previous day.

Salem — (U.P.) — The House yesterday passed a measure which gives the governor broad emergency powers in event of enemy attack. It provides for taking over the supplies and equipment and for reimbursement to owners.

EXCLUSIVE IN THE MAY JOURNAL

Whom will Princess Margaret marry?



Will it be the dashing R.A.F. captain—Peter Townsend? You'll learn who some of her other suitors are... how difficult it is to take her out... where the princess goes on dates... what happens if she doesn't like someone on the party list? Don't miss this little-known, inside story of "Princess Margaret and Her Beau."

Diet for your figure type

First step in overcoming a figure problem—know your figure type! Here's a personalized plan to put your curves in the right places—whether you need to lose or gain weight. 7 days of reducing menus, 7 days of building-up menus—plus easy-to-follow exercises.

8 COLOR PAGES OF Summer Fashions

Bright Young Stars choose fashions for off-stage hours; Fashions for Teen (thin and her); Lovable, tubbable synthetics... colorful sewing feature. Plus 33 other articles, stories and features



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