Sen. Lowry Discusses Alternatives in Devising Tax Program

By SEN. PHILIP LOWRY

Salem—How would you like to pay a 103 per cent surtax, or its equivalent on your personal income tax to the State of Oregon next year, instead of the 45 per cent surtax on your normal tax which you are now paying?

Sen. Lowry

How would you like to be told that you can't get rid of the apparently universally detested 45 per cent surtax without swallowing a bigger Oregon tax bite from your income?

If you think these questions are idle speculation and the possible answers don't appeal to you, I suggest you pay more than casual attention to the tax meanderings of the 1957 Legislature. In any event, somebody is going to be in for a shock when we conclude our "deliberations," and I suspect it is going to be the taxpayers rather than the appropriation seekers.

If the taxpayers honestly want or are willing to pay additional taxes for extended state government operations including such things as more support for schools, I am prepared to so expres the majority view of our people in Jackson county. Nothing that I have written here should be construed to mean that I am opposed to higher taxes for essential or worthwhile purposes, including education. Everybody favors good schools. The question is how much money is required to insure ourselves of good schools. I simply want to know the preference of the people of Jackson county when the question is honestly put to them without any window dressing. Also, about 25,000 voters can by referendum petition hold up any tax laws passed by the Legislature, so it is folly to disregard the popular will.

On Tax Committee

It is particularly important for me to know how our people would answer these questions, because I have one of the seven votes on the Senate Tax committee. This does not mean that I have a 1/7th say in the tax program, as Senate members cannot introduce revenue bills and amendment of House revenue bills is by majority vote of the Tax committee. We can only work with the bills the House sends us, and while we can rewrite them, we cannot change the subject of the bill. For instance, we cannot amend an income tax bill to include a combination with a sales tax, if we felt that were a proper solution. Therefore, the House must conceive the basic framework of the revenue program. However, I was disturbed by the statement of the Senate Tax committee chairman that the Senate was not going to change the House tax program at this session. This sounded like "rubber stamp" to me. My view is that often expressed by veteran Democratic Sen. Phil Brady of Portland—"I wear the collar of no man except myself."

Here is how the situation has developed up to now: Former Governor Smith submitted a balanced general fund budget of slightly less than 260 million dollars which was 40 million dollars above the 1955 budget. This proposed 1957 budget included necessary increases for higher education, and a number of other increases such as automatic increase under the basic school law, which reflects the growth in our school population. Governor Holmes has made recommendations for expenditures which, as nearly as we can estimate, approximate a 318 million dollar general fund budget. This is a recommended increase of 58 million dollars over Governor Smith's budget.

Counts On Surplus

Bear in mind that the 1957 budget of Governor Smith counts upon a 30 million dollar surplus built through the imposition of the 45 per cent surtax, which would not be available in 1959, if our estimates of revenue are at all close. In other words, only 230 million dollars of Smith's budget had to be raised by taxes collected during the 1957 biennium. The actual size of the surplus will not be known until June 30, 1957, so we must estimate the surplus as well as prospective revenues, which is rather difficult with the depressed lumber economy. Very little can be pruned out of Governor Smith's budget, in my opinion. It recognizes the need for an increase in the salary of state employees, the necessity to contract buildings to house our institutional patients and inmates, and the probable increased cost of operating state institutions as prices continue to slowly rise.

To date, Governor Holmes has not seen fit to advise the Legislature whether our estimates of expenditures required to implement his recommendations are accurate or not, but I think we are entitled to know about this very shortly.

It is impossible to devise a tax program until you know how much money is going to be appropriated. Remember also that Governor Smith's budget was based on the theory that some equivalent of the 54 per cent surtax would be collected in the biennium 1957-1959. The 45 per cent surtax will, based upon a stable economy, raise between 40 and 50 million dollars every two years.

If the budget goes as high as 318 million dollars, it would mean about a 103 per cent surtax, or its equivalent in some other form of taxation. A substantial part of this increase is proposed State aid to schools. The State now pays about 29 per cent of the cost of elementary and secondary education. The proposed increase would boost this to 50 per cent. While it is to be hoped that this would provide a measure of local property tax relief, I am afraid it would be short-lived, because of the apparently unavoidable increase in the cost of educating our children. I will seriously consider this increase if it is tied to a sound tax program.

Interim Study

The Interim Tax Committee of the Legislature, of which I was a member, made an exhaustive 18-months study of the tax problem in Oregon. Its duty was to report a recommended solution. This was done after a thorough study of the tax structures of th 48 states and particularly Oregon, California and Washington.

The committee reluctantly recommended a combination income tax and sales tax program as the only reasonable solution. This reluctance was based upon our belief that the income tax is preferable as long as it will do the job alone. But the committee recognized the tax principle that an inferior form of tax (sales) becomes at some point preferable to an overworked superior form of tax (income). Hence the recommendation for a combination of the two.

It recognized that a sales tax is no panacea for our tax ills and has a number of drawbacks. The committee was also of the opinion that the budget would continue to grow. It did not propose, nor do any of its members now propose, to give any tax break to the higher-bracket income taxpayers over other taxpayers. The committee was deeply concerned with who would be called upon to foot the bill for increased taxes. Exemptions and dependency credits under the income tax would be increased to $1,000.

The members of the Interim Committee appeared before the House Tax Committee, which has only one member with previous tax experience, to urge consideration of the Interim Committee's recommendations. It was plain that the House Tax Committee had no intention of more than politely listening. The questions asked were mostly political and made little tax sense. Our feeling was that the hearing of the Interim Committee's report was "wired from above," and independent judgment did not enter into the question of spending another one hundred million dollars without carefully considering how to raise it. Political expedience in taxation is going to have to come to an end if we are going to avoid a hopeless mess.

Lists Alternatives

We find now that probably on Monday or Tuesday the House will try to throw the Interim Committee's tax program into the garbage can before it even knows how much money it has to raise. If this happens, as I believe it will, proponents of the sales tax need not bother to suggest that as a possible solution at this session. The house Committee, in my opinion, should at least consider the alternatives before the door is slammed shut indefinitely.

What are the alternatives?

(1) A higher surtax. The Governor and everybody else promised the repeal of the 45 per cent surtax to the people. I voted against the surtax in 1955, and I have not changed my view. If I am not mistaken, I believe the voters thought they were promised tax relief and not tax increase during the last campaign.

(2) Increase of the percent of tax in the income brackets. These bracket increases to finance the Governor's program would have to very substantially exceed the 1955 total tax on most taxpayers.

(3) Collection of a State real property tax for the first time since 1941. I am positive that the property tax is the worst possible place to raise new revenue.

(4) A combination of the three above.

Tells Fallacy

One fallacy that needs to be exploded once and for all is that you can lay a tax on high incomes and raise this money. We have, according to State Tax Commission statistics, comparatively few high-income taxpayers in Oregon. This is not a state of high individual incomes and you could confiscate the income of the higher-bracket taxpayers after federal taxes and make no dent in solving this problem. So, even if you believe in a "soak the rich" tax program, you won't find the answer there. And to impose an exceedingly heavy tax on upper incomes will very likely keep even more industry out of Oregon. Unfortunately, the great bulk of this money has to come from the pockets of middle and lower income groups, where nobody likes to tax it.

Consider further: (1) Several Democrats in the Senate refer to all this as "The Governor's program, not their own. Several are concerned about being called upon to support such a program. (2) Any tax increase stands a good chance of being referred, which could mean (a) an almost certain state real property tax or (b) a special session to look for an escape.

Cites "Trickery"

The biggest piece of legislative trickery in the making is this: House Bill No. 1, introduced at the request of the Governor, provides for the repeal of the 45 per cent surtax. It is still lying in committee. Why? Because the law that contains the bracket rates on income taxes and the 45 per cent surtax are combined in the same sections. The strategy of the State Administration is to increase the bracket rates so that if the people use the right of referendum to hold up the tax increase, they will thereby kill the repeal of the 45 per cent surtax. So the strategem is: Take what we give you or keep the 45 per cent surtax. If any reader doesn't believe this, I will be glad to furnish the statements made to this effect. I think the people of Oregon should dare the legislature to just try such a trick.

Please let me know now, to guide my voting while the session is on, and not after, how you feel about paying more taxes for more state expenditures, many of which have a very worthy purpose.

Three Injured, Two Get Citations in Four Accidents

Three people were injured and two drivers received citations in four vehicle accidents Saturday and Sunday, state police reported.

Jack Eric Rowbotham, 28, of 445 Fairmont st., Medford, received chest injuries and head cuts at 6:25 p.m. Sunday, when the car he was driving collided with another on Highway 99 at Elk City. A passenger in Rowbotham's vehicle, Pete Orr, 29, Pennsylvania ave., Medford, was knocked unconscious and received a scalp cut in the accident, police said.

To Hospital

Orr was taken by a relative to Rogue Valley hospital, where his condition was reported "good" this morning. Rowbotham was not hospitalized.

Driver of the other car involved in the collision was Wilbur Everett Talich, 32, of 3410 North Pacific highway, Medford. According to state police, Talich drove from the Southern Oregon Trailer Mart onto the inside lane of Highway 99, when Rowbotham, who was heading south on the highway, struck the rear of Talich's car. Police said Rowbotham's car skidded 125 feet before hitting Talich's car. Talich was not reported injured. No citations were issued.

Head Injuries

Miss Patricia Footh, 18, Phoenix, sustained head injuries at 11:30 p.m. Saturday, when the car in which she was riding struck a pile of logs at the Talent sawmill on Colver rd., about one-fourth mile west of Highway 99.

State police said the driver of the car, Alfred Baker, 31, Phoenix, was traveling east on Colver rd., when he failed to negotiate a curve and struck the pile of logs. Baker was not reported injured. Miss Footh was taken to Rogue Valley hospital but refused to remain in the hospital overnight, police reported. No citations were issued.

Driver Cited

Claude Lee Gunter, 38, of 1596 South Peach st., Medford, was cited for failure to stop at a stop sign after the vehicle he was driving collided with a car driven by John Frederick Gemachlich, 49, of 2632 Jo-Jack rd. The accident occurred at 1:20 p.m. Sunday at the intersection of Ross lane and McAndrews rd.

According to police, Gunter was traveling west on McAndrews rd., and failed to stop at the Ross lane intersection stop sign. His vehicle went in front of Gemachlich's car, which was traveling on Ross lane. Police said Gemachlich's vehicle struck Gunter's car. Damage to the vehicles were reported extensive. No injuries were reported.

Gets Citation

Katherine Mae Anderson, route 1, box 9-E, Jacksonville, was cited for improper changing of lanes Sunday night after the car she was driving collided with a vehicle operated by Clarence Marvin VanHouten, 788 Second st., Gold Hill, police said. The accident occurred on Highway 99 near the intersection of Highway 62.

According to police, both cars were traveling north on Highway 99, when Mrs. Anderson's vehicle change from the right lane to the left lane and hooked the bumper of VanHouten's car. No injuries were reported.

Holmes Denies Not Standing at Inaugural

Portland — (U.P.) — Gov. Robert D. Holmes said yesterday that he did stand up when he passed President Eisenhower's reviewing stand during the inaugural parade two weeks ago.

Governor Holmes said television cameras were not on him at the time. He had been accused by some TV viewers of not standing when he passed the reviewing stand.

MAJORITY OPPOSED

Cairo— (U.P.) —The newspaper El Shaab said today a poll on President Eisenhower's proposed Middle East doctrine showed three persons in favor and 68,342 against it.