

Legislative Update

By State Rep. Betsy Johnson (District 31)

Two days after the 2003 Oregon Legislature adjourned on Aug. 27, tax opponents launched a referendum drive to place the temporary income tax increase on a statewide ballot in hopes that voters will reject it and undo much of the Legislature's bipartisan negotiated compromise during the record-length session.

House Bill 2152, adopted by the lawmakers and signed by Gov. Ted Kulongoski last month, will enact a three-year income tax surcharge – a surcharge on existing tax liability – to balance the 2003-05 budget. The revenue package will raise \$792 million in the current biennium, mostly from taxes paid by higher-income households and businesses in 2003 and 2004. It will raise another \$332 million in the following biennium from the same sources, if needed.

The surtax will cost approximately \$36 a year for a household with \$41,000 income, which was the median level in Oregon in the 2000 Census. The median means half the households were below the income line and half were above. If you count the massive federal income tax cut, total income taxes in Oregon won't increase – even with the planned surtax. (For a detailed tax table based on household income, visit my web site: www.betsyjohnson.com).

A mixed coalition has gone on record in opposition to the tax increase package. Two conservative political groups, the Oregon Chapter of Citizens for a Sound Economy and the Taxpayers Association of Oregon, are trying to gather 50,420 valid signatures before the Nov. 25 deadline. If the referendum qualifies, it will appear on a Feb. 3 special election ballot.

The revenue package enacted by the Legislature in House Bill 2152 is only a temporary solution to the state's budget crisis. I supported it because it is a fair and balanced approach to recovering some of the revenues needed to keep schools open, keep our communities safe and maintain services for the elderly, the poor and the disabled.

The state's continuing economic crisis, which resulted in another \$1 billion revenue drop during this year's session, eventually turned the talks to a temporary tax increase. After months of debate and negotiating, a temporary tax, similar to one enacted during the financial crisis in the 1980s, appeared to be the inevitable solution to balancing Oregon's state budget in the face of falling tax revenues. Moderate Republicans resolved the Legislature's long budget stalemate by teaming up with Democrats, who are a minority in the House and control the governor's office, to push the surcharge through.

Here is why we believe this package is fair and balanced:

Higher-income households will pay the largest share of individual taxes

Individuals will pay more via an income tax surcharge and reduced discount for early payment of property taxes. But most (60 percent) of the increased taxes paid by individuals will come from households with incomes above \$100,000 per year.

Businesses will pay more

Businesses will be required to pay more via new minimum taxes, the repeal of certain tax breaks and temporary reduction of tax credits. All told, businesses will pay 34 percent of the

new taxes, compared to approximately 17 percent of the state's general fund taxes that they presently pay. Small business owners, including S-corps, partnerships and sole proprietors, will pay 12 percent.

All families will see a reduction in overall federal and state taxes

All households will see a reduction in their overall taxes due to new federal tax cuts. The new income tax surcharge is designed to work with the new reductions in federal income taxes to ensure that every Oregon taxpayer still gets a reduction in taxes paid overall.

Oregon is caught in a downward fiscal spiral that threatens our economic future and our quality of life. We have learned through bitter experience that we will never regain our economic footing or begin to compete successfully in a fast-paced global economy with shorter school years, substandard services and courts open four days a week. We are facing a political crisis of trust in our tax system and an economic crisis of viability in our public service system.

If we fail to achieve consensus on how to pay for the public services we need for a healthy economy and a livable society, we will never regain our economic vitality and may soon lose our livable communities.

The Legislature passed a measure to convene a special legislative session on tax reform next June, after an interim panel drafts recommendations on overhauling the state's tax system, which has come to rely heavily on revenues from personal and corporate income taxes. I sincerely believe that the need for revenue-raising tax reform in our state is so great, and the consequences of failure so dire, that we must keep an open mind about which of the many potentially acceptable long-term options can succeed. We must also build a process to receive ideas from as many Oregonians as possible before charting a final course of action.

The leaders of the referendum do not like to talk about how they would balance the budget if the tax surcharge is defeated, however, the effects must be considered. Defeat of the tax increases would result in automatic budget cuts. To begin with, basic services – including education, health care, public safety, seniors and workforce training – will be seriously compromised. Not only will there be major cuts in public services, there will be a return to the discredited policy of emptying every reserve fund and mortgaging our state's future through borrowing.

Here's where the \$792 million in budget cuts would be made:

K-12 schools - \$414 million
Human services - \$273 million
Public safety - \$94 million
Higher education - \$11 million

When someone asks you to sign the referendum petition to repeal the income tax surcharge, ask them if they have an alternative plan for the state to "live within its means." Ask them to be specific and do the math. If they can't give you a real answer, I hope you will seriously consider your support or opposition.

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Letters

Don't sign petition to harm our children

To the Editor

Some things are worth paying for. Our children, and their education should be of paramount importance to us all. Our schools are suffering. They are overcrowded and most certainly under funded.

Our Oregon Legislature worked overtime this year to try and put together a school funding package. The end result was still inadequate, but resulted in a temporary tax increase.

Now someone wants to stop this funding altogether. They must hate schools since they are trying to circulate a petition to put an end to our schools tax support.

Please don't sign this petition. We need our schools and we need public education.

Our children deserve our support.

Sincerely,
Bill Eagle
St. Helens

Thanks for help with school supply project

Thank you to Bank of America, Rainier Branch for the donation of \$150.00 to the School Supply project in 2003.

Your donation enabled us to purchase several needed supplies, which will be shared by all five of our School Districts, for students who are unable to afford the necessary school supplies to begin school ready to learn.

Your generosity is appreciated and will make the first day of school a positive experience for many young people throughout Columbia County.

By working together we can help change a lives in our communities.

Sincerely,
Kathye Beck
Executive Director
United Way of Columbia County

Nice example of courtesy by public official

Ed. Note: *The INDEPENDENT* does not consider itself a partner (see letter below) with the legislature, simply an observer, insofar as our small staff allows, and occasional commentator. The reason for publishing the following letter is to use it as a far too rare example of courtesy by a public official toward a part of its constituency that may not be supportive, and may even be critical at times. Such courtesy on the part of local officials would have alleviated, if not eliminated, the controversy that is currently causing discord in Vernonia.

Dear Members of the Media,

I want to thank you for your contribution to the 2003 General Legislative Session. You in the media are our partners in the Legislature, keeping the public informed of what we do in the Capitol and explaining how it affects Oregonians.

It was a difficult time for all involved with and in the Legislature. Though history will ultimately decide how we did, your chronicling of the events will undoubtedly play an important role in how we view our accomplishments and regrets.

Many significant and good pieces of legislation were passed and will become law. It took team work to make this happen and you were part of that team. You played your role well and we are better legislators for having worked with you.

Thanks for hanging in there and enduring what was a challenging legislative session.

Respectfully,
Peter Courtney
President of the Senate

— NOTICE —

The INDEPENDENT is published on the first and third Thursdays of each month. There are five Thursdays in October, so there will be three weeks between the issue of October 16 and the issue of November 6.

To provide some break time for our staff, the office will be closed from October 22 through October 27. Messages may be left via fax or voice mail at 503-429-9410, or by e-mail to noni@vernonia.com or clark@vernonia.com

Deadline for the issue of November 6 will be October 31.