



EXECUTIVE SUMMARY

204 N. FIRST ST., SUITE C • PO BOX 7 • SILVERTON, OR 97381 • WWW.OCPP.ORG • 503-873-1201 • FAX 503-873-1947

Revised December 23, 2002

A Step in the Right Direction: Measure 28 and Oregon's Economy

By Jeff Thompson and Charles Sheketoff

Measure 28 is a temporary income tax increase that the Legislature referred to the voters as a way to avoid additional cuts to the state budget. Weighing further budget cuts to education, public safety, and programs for the poor and elderly against tax increases is a difficult proposition for many voters. Opponents argue that Measure 28 will interfere with Oregon's economic recovery.

Analysis of Measure 28, however, shows that its failure would be worse for the economy:

- Failure of Measure 28 will drain over \$1.5 billion from Oregon's economy, compared to only \$208 million if it succeeds.
- Budget cuts that will be implemented if Measure 28 fails will drain \$419 million in federal matching funds from Oregon's economy over the next two and one-half years.
- If Measure 28 succeeds, the increase in state taxes will be offset by Oregonians paying \$129 million less in federal income taxes.

If Measure 28 fails, decreased spending by state government will trigger public and private sector job losses, outweighing likely declines in consumer spending in response to the temporary tax increase. The long-term care sector alone is expected to eliminate over 730 jobs before June 30, 2003, and 2,610 jobs in the next two-year budget cycle because of reduced state spending and reduced federal matching funds if Measure 28 fails.

Measure 28 will have little impact on Oregon's business climate, since corporations would only pay \$44 million more in taxes. Oregon already has the lowest business tax burden in the West and ranks favorably for overall business costs. Education and public safety, two state services that are more important for business location decisions, face millions of dollars of additional cuts if Measure 28 fails.

Measure 28 raises only the top rate of Oregon's income tax. The typical Oregonian would pay \$70 more per year during the three years of the tax increase. Oregon's highest-income families, who reaped the greatest gains from the 1990s economy and who benefited most from the recent federal tax cuts, will pay most of the tax increase under Measure 28.
