



EXECUTIVE SUMMARY

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The Real Squeeze: Taxes Are More Affordable While Other Household Costs Rise

By Jeff Thompson

Contrary to claims that surface each year with the arrival of tax day (April 15th), household taxes in Oregon have become more affordable over the last decade. The source of the financial squeeze confronting many Oregonians is not taxes, but the rising cost of basic household budget items, including housing, health care, child care, and higher education. These budget items outstripped income growth during the prosperous 1990s, and have become even more costly in the down economy the state has suffered since.

State and local taxes paid by Oregon households declined from 7.4 percent of income in 1989 to 6.8 percent in 2003. Federal taxes also declined as a share of income. While taxes have become more affordable, other budget items have become less affordable:

- **Housing:** The growing costs of homeownership and renting have outstripped the incomes of many Oregonians. The share of Oregon homeowners paying 30 percent or more of their income for homeownership costs rose from 18 percent in 1990 to 25 percent in 2000. In 2000, 42 percent of renters paid 30 percent or more of their income in rent, up from 39 percent in 1990.
- **Health Care:** Health insurance premiums have risen, and the employee share has grown as well. Between 1993 and 2001, the share of Oregon workers NOT required to pay part of their employer-provided health insurance premiums fell from 64 percent to 46 percent for single coverage and from 33 percent to 19 percent for family coverage. The average employee portion of the premium for family coverage rose from \$1,043 to \$1,925 over this period.
- **Child Care:** The average monthly cost for families using paid child care rose from \$264 in 1992 to \$439 in 2002, growing 66 percent while average annual earnings for Oregon workers grew just 43 percent. According to state standards, child care is unaffordable for 38 percent of families with children.
- **Higher education:** Tuition and fees at public universities in Oregon nearly tripled between 1988 and 2003, climbing to \$4,359. Community college has also become increasingly expensive, with tuition and fees rising from 3.6 percent of median household income in 1992 to 5.4 percent by 2002.

Blaming taxes as the cause of Oregonians' household budget squeeze is not only incorrect, but it is counter-productive to effectively addressing the increased burdens posed by the rising costs of housing, health care, child care and higher education. Effective public policy responses to address these rising costs require revenue, and wrongly blaming taxes for the pocket-book squeeze felt by many Oregonians undermines adequate funding.

While taxes have become more affordable overall for Oregonians, the changes have not been uniform, leaving low-income households paying more. If Oregonians enact tax proposals based on the ability to pay, there will be resources for these programs without increasing taxes for those who cannot afford to pay them.