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Oregon Moves Closer to a Tax System Based on Ability to Pay

**But even with Measures 66 and 67, the wealthy
will pay proportionally less than the poor**

(Silverton) — The two revenue measures enacted by the 2009 legislature and headed to a special January election as Measures 66 and 67 take Oregon “one step closer to having a tax system based on ability to pay,” according to the Oregon Center for Public Policy. They released a report today that breaks out the share of income paid in state and local taxes by different income groups under the two measures.

Under the measures, Oregon’s tax system remains “out of balance,” or regressive, because Oregon’s wealthiest households will continue paying a smaller share of their income in state and local taxes than the poorest households, according to the public policy research institute. The Silverton think tank’s analysis shows for the first time how the two measures will impact the distribution of taxes under Oregon’s overall tax system.

“The targeted tax increases modestly improve our out-of-balance tax system, which asks more of poor families than of well-off families,” said Charles Sheketoff, executive director of the research institute. “It’s one more reason why voters should say ‘yes’ to the measures when they vote in January.”

The two measures avoid deeper cuts to education, health and human services and public safety than those enacted by the legislature to balance a budget in the face of a \$4 billion budget shortfall caused by the recession, Sheketoff said. The measures will raise about \$733 million in new revenue from corporations and high-income Oregonians.

The analysis released today compares the level of taxation under the current system to the level under all the changes in Measures 66 and 67.

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When the changes fully take effect in 2013, the share of income that the wealthiest 1 percent of Oregonians will pay in total state and local taxes will have risen from 6.1 to 6.6 percent, according to the report.

That is lower than the 8.7 percent of income paid by the poorest 20 percent of Oregonians, the report said. Their share remains unchanged by the measures.

Measure 66 raises taxes on about 3 percent of households at the top of the income scale — joint filers with taxable income of \$250,000 or more and single filers with taxable income of \$125,000 or more.

Measure 67 raises Oregon's corporate income minimum tax. With the changes, the corporate minimum starts at \$150 and for C-corporations goes up along a sliding scale, depending on the amount of in-state sales. The new minimum tax sliding scale is modeled on a proposal by the Oregon Business Association. Business entities that pass profits through to shareholders – partnerships, limited liability companies, limited liability partnerships, and corporations known as “S-corps” – will pay only \$150.

Measure 67 also increases taxes on corporations with more than \$250,000 in profits through 2012, and then, starting in 2013, only on corporations with profits in excess of \$10 million. At that point, all proceeds will flow to the state's rainy day fund.

Sheketoff rejected calling some of the tax changes “permanent,” noting that the legislature meets at least every two years to review existing law.

“The only thing in our tax system that appeared permanent was the \$10 minimum corporate income tax, unchanged since 1931, that two-thirds of corporations pay,” said Sheketoff. “Bankers, home builders and other wealthy and corporate elite out to defeat Measures 66 and 67 would keep the corporate minimum tax at \$10.”

Today's report will resonate with voters, Sheketoff believed. “Most Oregonians may not be able to tell the precise share of their pocketbook that goes toward state and local taxes,” he said, “but they correctly sense that the wealthiest Oregonians and corporations have not been pulling their weight.”

The Oregon Center for Public Policy is a non-partisan research institute that does in-depth research and analysis on budget, tax and economic issues. The Center's goal is to improve decision making and generate more opportunities for all Oregonians.