

For Immediate Release

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New Year Brings \$118 Million Tax Cut for Oregon's Wealthiest

A tax cut for Oregon's wealthiest taxpayers that will cost \$118 million this budget period will take effect in the new year, unless lawmakers vote to extend the temporary top marginal income tax rates put into effect by Measure 66.

"This is not the time to allow a tax cut to Oregon's most fortunate taxpayers," said Chuck Sheketoff, executive director of the Oregon Center for Public Policy. "That money should instead be used to shore up the budget to prevent further cuts to education, health and human services and public safety."

The tax cut set to take effect on January 1 is the result of how lawmakers drafted the law that became Measure 66, which was referred to voters and approved in a January 2010 special election.

Measure 66 temporarily raised the top marginal tax rate from 9 percent to 10.8 percent for couples making between \$250,000 and \$500,000, and to 11 percent for couples making more than \$500,000. The new top rates apply only to the income received above those levels and impact only about 3 percent of Oregon taxpayers.

For both of these income groups, the top marginal tax rates will go down to 9.9 percent on January 1.

"When the 2009 legislature scheduled the end of the higher rates, they expected the economy to be in much stronger shape than it is now," said Sheketoff. "With the sluggish national recovery and the state still struggling with a revenue shortfall, letting the top rates go down is a mistake."

Though the country's recovery from the deepest recession in decades has been slow, by some measures Oregon's economy has performed better than the national economy with the temporary higher tax rates in place, according to Sheketoff. He cited, for example, an economic index produced

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by the Federal Reserve Bank of Philadelphia and referenced in the most recent state economic forecast, which shows Oregon's economy outperforming all other western states and ranking sixth best in the nation over the past year.

The legislature will have an opportunity to keep the higher top marginal tax rates in place when it convenes in February 2012. Declining revenue forecasts since the legislature adjourned last June has lawmakers considering cuts to public services.

"Cuts to schools, health care, child care and other public structures don't create prosperity or rebuild our middle class," said Sheketoff. "Investments in our people and state lay the foundation for a brighter future."

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.