OREGON CENTER FOR PUBLIC POLICY

# EXECUTIVE SUMMARY

204 N. First St., Suite C • PO Box 7 • Silverton, OR 97381 • www.ocpp.org • 503-873-1201 • fax 503-873-1947

*April 13, 2004*

## 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.

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## Taxes Are More Affordable While Other Household Costs Rise

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The arrival of April 15th each year generates complaints about taxes. One version of the complaint is the claim that taxes are rising and making it harder for people to make ends meet.

Peeling away the bumper-sticker rhetoric and looking at the data shows that taxes are not putting an increasing squeeze on Oregonians. Taxes paid by Oregonians - state, local and federal taxes - have *declined* as a share of income over the last decade. In other words, the tax bill has become more, not less, affordable for Oregonians.

People are correct in feeling that their paychecks are not keeping up with the demands of their lives. The pressure, however, is a result of the rising costs of basic household budget items like health care and housing. For families with children, the cost of child care and higher education have also increased much faster than income. These budget items outstripped income growth during the prosperous 1990s, and have become even more costly in the last few years.

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. Wrongly placing the blame on taxes distracts attention from the true cause of the squeeze and weakens support for public policies that might be used to address these increasingly costly budget items.

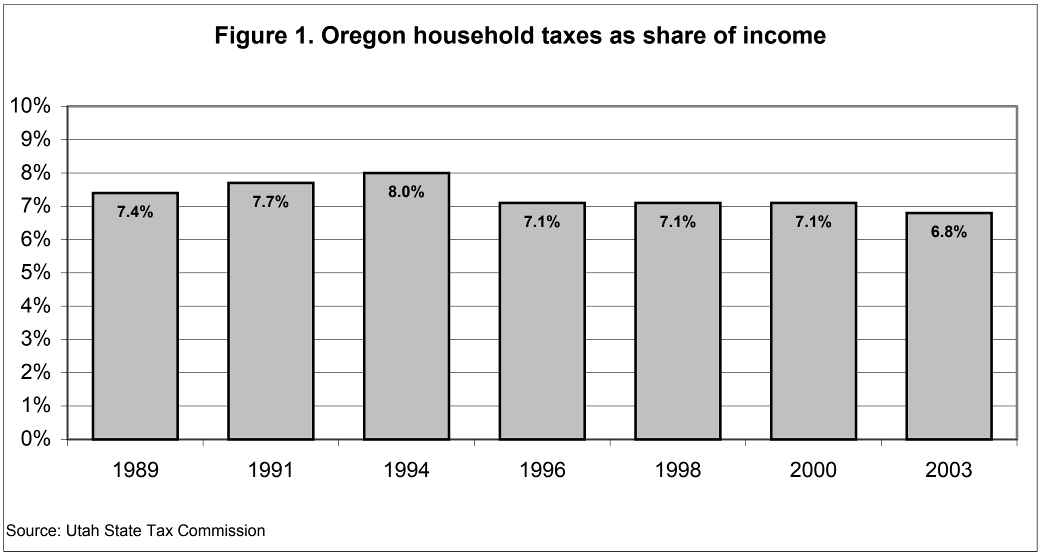
While taxes have become more affordable overall for Oregonians, the changes have not been uniform. Shifts in the distribution of state and local taxes over the last decade have left low-income households paying more, middle-income households experiencing little change, and affluent households reaping significant reductions in the share of their incomes going to taxes.

## Taxes are more affordable

### *State and local taxes*

Oregon's state and local taxes are more affordable now than a decade ago. Oregon households now pay 6.8 percent of their income to state and local taxes, compared to 7.4 percent in 1989 (Figure 1).[1] State and local taxes declined as a share of income in the mid-1990s as tax cuts were implemented and incomes rose. Between 2000 and 2003 household taxes declined more steeply than incomes.

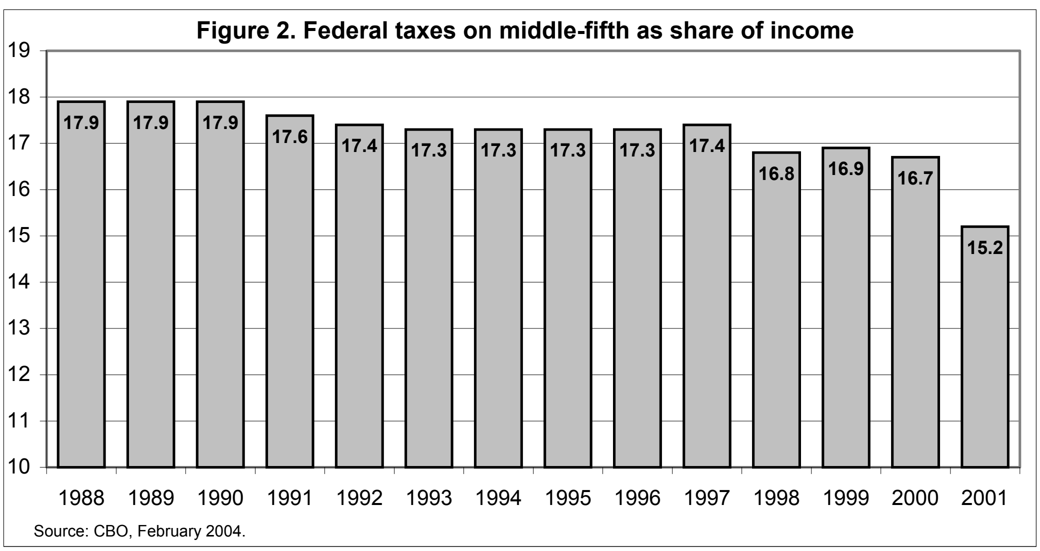
**Oregon households now pay 6.8 percent of their income to state and local taxes, compared to 7.4 percent in 1989.**




*Federal taxes*

The majority of taxes paid by Oregonians are federal taxes. For most Americans taxes have declined as a share of income over the last decade. The middle-income fifth of American households paid 17.9 percent of their income in federal taxes in 1989, including income taxes, social insurance taxes, excise taxes, and corporate taxes (Figure 2). By 1999 federal taxes had dropped to 16.9 percent of income, and they fell further in 2001 to 15.2 percent.

**The middle-income fifth of American households paid 17.9 percent of their income in federal taxes in 1989. By 1999 federal taxes had dropped to 16.9 percent of income.**



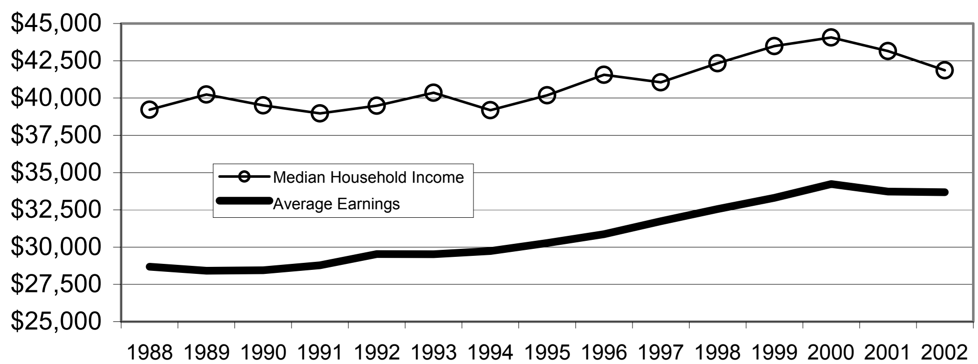

## The source of the squeeze – non-tax budget costs outstrip income growth

If Oregonians are paying less of their income in taxes, why then are they feeling financially squeezed? The answer is simple: other major budget items have become more costly. The cost of two universal big-ticket budget items, housing and health care, have increased faster than Oregonians' income. Expenses that are major budget items for some households, like child care and higher education, have also become less affordable.

## Earnings and income declining since 2000

The obvious reason for Oregonians feeling squeezed financially over the last few years has been the economy's poor performance, leading to increased joblessness and falling income and earnings. After rising in the 1990s, both median household income and average worker earnings declined between 2000 and 2002 (Figure 3 and Table 1). Adjusting for inflation, average worker earnings rose 19 percent between 1988 and 2000, and have fallen two percent since. Real median household income rose 12 percent in the 1990s, and declined five percent after 2000.

**Figure 3. Real income and earnings in Oregon**




Source: Census and Employment Department data analyzed by OCPP. Adjusted for inflation with US CPI-U-RS.

**After rising in the 1990s, both median household income and average worker earnings declined between 2000 and 2002.**

During the prosperous 1990s and the post-2000 recession, taxes fell as a share of income, as reflected above in Figures 1 and 2. When income and earnings rose rapidly during the 1990s, household taxes grew as well, but at a slower rate. Since 2000 earnings have grown more slowly than inflation, and median household income has declined in absolute terms, but household taxes dipped even lower as a share of income.

**Table 1. Income and earnings growth in Oregon**

| | Median Household Income | Average Earnings |
|---|---|---|
| **1988 to 2000** | | |
| "Nominal" Growth | 57% | 67% |
| Adjusted for Inflation | 12% | 19% |
| **2000 to 2002** | | |
| "Nominal" Growth | -1% | 3% |
| Adjusted for Inflation | -5% | -2% |
| **1988 to 2002** | | |
| "Nominal" Growth | 56% | 72% |
| Adjusted for Inflation | 7% | 17% |

Source: OCPP analysis of Census and OED data. Inflation adjustment with US CPI-U-RS, 2002$.

The budget squeeze that many Oregon households are facing is not just due to the down economy over the last several years. Even during the prosperous economic times of the 1990s, important household budget items grew more costly, outstripping growth in income and earnings. The cost of housing, health care, child care, and higher education grew faster than income and earnings in the 1990s. The cost of these budget items has continued to climb since 2000.

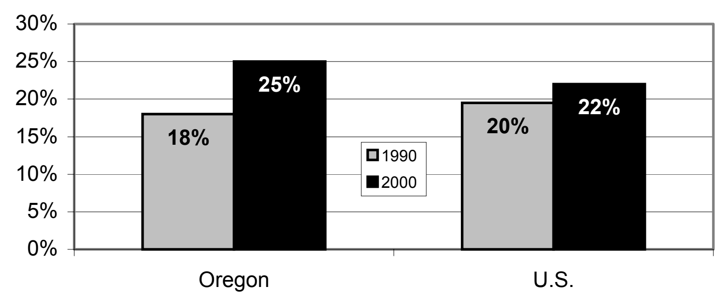
## Housing is less affordable

Housing is one of the largest items in many household budgets, and it has become increasingly costly for Oregonians.

The growing costs of homeownership and renting have outstripped the incomes of many Oregonians. "Homeownership costs" include mortgage payments plus taxes, insurance, and utilities.[2] 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 (Figure 4). For the nation as a whole, this figure increased from 20 percent in 1990 to 22 percent in 2000.

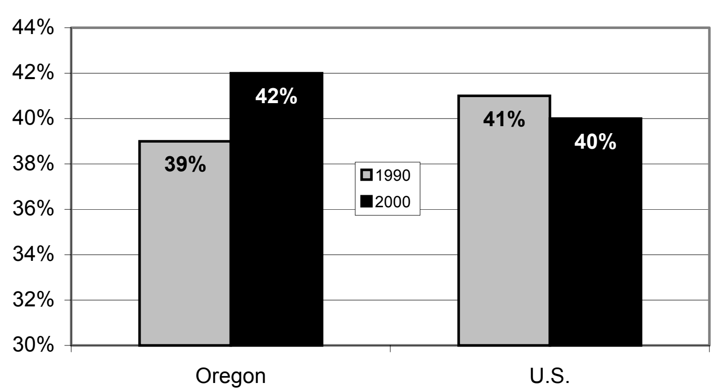
Renters in Oregon also saw their ability to afford housing eroded. In 2000, 42 percent of renters paid 30 percent or more of their income in rent, up from 39 percent in 1990. The trend in Oregon ran opposite of the national average (Figure 5). Nationally, 40 percent of renters paid 30 percent or more of their income in rent, down from 41 percent in 1990.

Figure 4. Owners paying 30% or more of income in "ownership" cost




Source: 1990 and 2000 Census

Figure 5. Renters paying 30% or more of income in rent




Source: 1990 and 2000 Census

Why is housing less affordable? The median sale price of single-family homes rose 114 percent in the Portland area and 99 percent in Eugene between 1990 and 2000 (Table 2). Nationally, the median home price increased just 46 percent over the same period.

**Table 2. Single-family home median sale price**

| | | | | Growth | |
|---|---|---|---|---|---|
| | 1990 | 2000 | 2003 | 1990 to 2000 | 2000 to 2003 |
| Portland/Vancouver | $79,500 | $170,100 | $192,000 | 114% | 13% |
| Eugene/Springfield | $66,600 | $132,800 | $151,700 | 99% | 14% |
| United States | $95,500 | $139,000 | $169,900 | 46% | 22% |
| Western Region | $139,600 | $183,000 | $234,100 | 31% | 28% |

Source: National Association of Realtors and Oregon Housing Cost Study

Home price appreciation in Portland and Eugene has slowed since 2000, and is now rising at rates below the rest of the country. The combined home price increase following the late-1980s, however, was dramatic, and the impacts are still being felt. Statewide housing data show that home prices in Oregon increased 183 percent between 1988 and 2003.[3]

While rapidly appreciating home sales are a boon to speculators and those hoping to sell their home and leave an area, they present an increased burden for potential home buyers. And, while lower interest rates have bolstered the housing market in recent years and allowed homeowners to refinance and lower their monthly costs, they have not prevented housing from becoming increasingly unaffordable.

## Health care costs are rising rapidly

Health care is another important household budget item, and it is increasingly expensive. Health insurance premiums, the employee share of the premium, and other health care costs have been increasing.

Fewer workers are covered by health insurance plans that require no employee contribution toward the premium. In 1993, nearly two-thirds of Oregon workers with single coverage and one-third of workers in family plans were not required to make any employee contribution to the premium for their employer-sponsored insurance (Table 3). By 2001, only 46 percent of workers in single plans and 19 percent of those in family plans were not required to make a contribution to the premium.

**Table 3. Rising premiums for Oregon workers**

| | 1993 | 2001 |
|---|---|---|
| **Single coverage** | | |
| **% with no employee contribution** | **64.2%** | **46.1%** |
| **Average employee contribution** | **$195** | **$342** |
| **Employee share of premium** | **10.8%** | **12.2%** |
| **Family coverage** | | |
| **% with no employee contribution** | **32.6%** | **18.8%** |
| **Average employee contribution** | **$1,043** | **$1,925** |
| **Employee share of premium** | **24.5%** | **26.9%** |

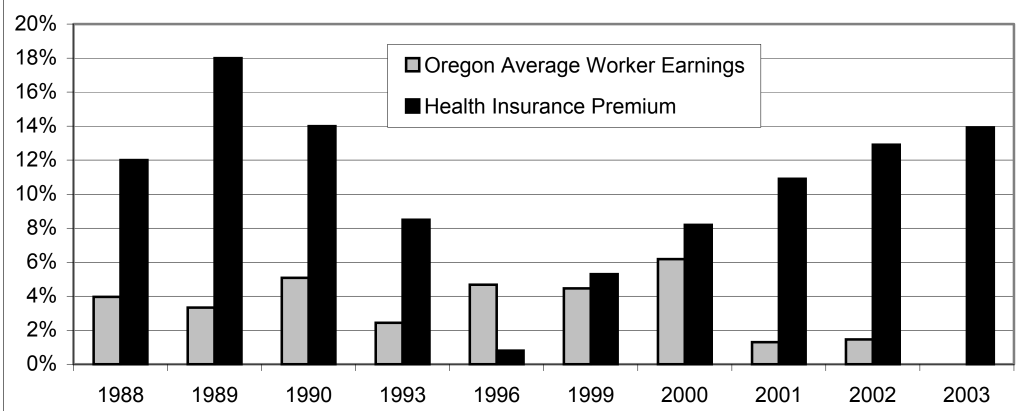
Source: MEPS/NEHS data.

The employee share of the premium rose from 10.8 percent to 12.2 percent for single coverage and from 24.5 percent to 26.9 percent for family coverage between 1993 and 2001. Increases in the employee share appear modest when expressed as a share of the total premium, but due to rapid inflation in the underlying premium, these small shifts have resulted in large cost increases for covered workers. The average employee contribution for family coverage rose from $1,043 in 1993 to $1,925 by 2001. The average employee contribution to the health insurance premium rose 11 percent annually over this period for family coverage and 9 percent annually for single coverage. Meanwhile, the annual growth in the average earnings of Oregon workers was just 4.7 percent.

Health insurance premium growth for employer-sponsored insurance was subdued during the mid-1990s, when it rose more slowly than workers' earnings in Oregon and other states (Figure 6). The national average employer-sponsored insurance premium increased less than one percent in 1996. Since 2000, however, growth in premiums has outstripped earnings growth, reaching 14 percent in 2003. Large increases in premiums since 2000 can be expected to result in even greater costs for covered workers in Oregon and other states.[4]

**Since 2000, growth in the cost of health insurance premiums for employer-sponsored plans has outstripped workers' earnings growth.**

**Figure 6. Growth in health insurance premiums compared to worker earnings - selected years**



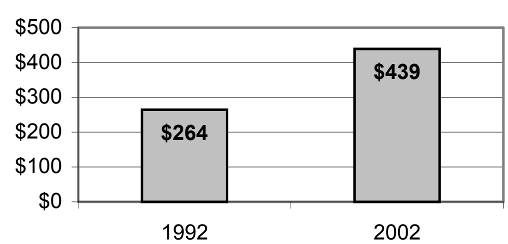

Source: Kaiser Family Foundation and OED.

The rise in insurance premiums alone, however, understates the increasing costs of health care. National data show that workers are also facing increases through other means of "cost-sharing," including higher co-payments and deductibles.[5] In addition, workers have faced greater costs, through insurance and out-of-pocket, for the rising cost of prescription drugs in recent years.

## Child care costs are rising steadily

**The 66 percent increase in average child care costs over the decade was matched with just a 43 percent increase in average annual earnings for Oregon workers.**

**Figure 7. Average monthly child care cost**




Source: OCPP analysis of OPS data.

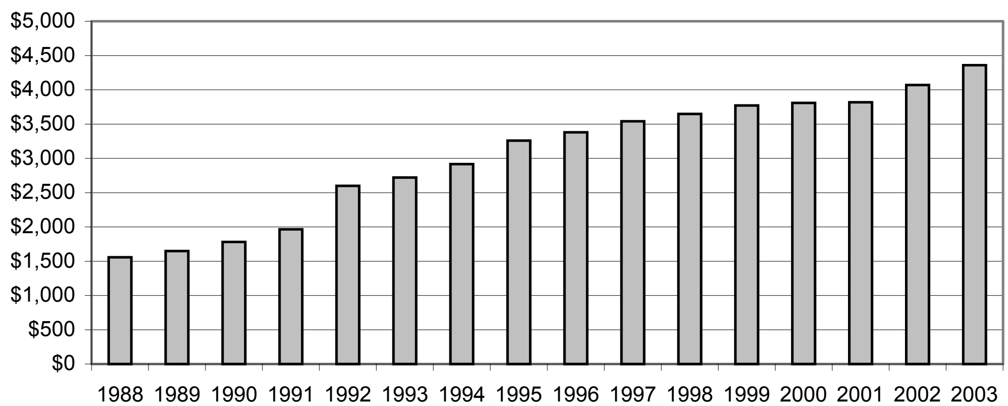
Almost one-third of all Oregon families with children use some form of paid child care, and the cost of care is rising.[6] The average family using child care paid $439 per month in 2002, up from $264 in 1992 (Figure 7). It is no wonder Oregon families with children are feeling squeezed; the 66 percent increase in average child care costs over the decade was matched with just a 43 percent increase in average annual earnings for Oregon workers.

Oregon considers child care "affordable" if a household spends less than 10 percent of household income on the care. Using this standard, child care expenses are "unaffordable" for 38 percent of Oregon families with children.[7] Child care is particularly unaffordable for low and middle-income households. Sixty-five percent of Oregon households with children under 13 in the bottom half of the income distribution were unable to find affordable child care in 2002, up from 58 percent a decade earlier.[8]

## Higher education expenses continue to climb

Although higher education is a less common household budget item than housing and health care, it is especially important for the 60,000 Oregon students that attend public universities in Oregon. It is also an expense that has become increasingly burdensome for these students and their families. For example, annual resident tuition and fees at the University of Oregon were $1,556 in 1988 and had risen to $4,359 by 2003, nearly tripling in just fifteen years (Figure 8). Between 1988 and 2002, tuition rose 161 percent, compared to a 72 percent growth in average earnings for Oregon workers over the same time period.

**Figure 8. Resident tuition and fees - University of Oregon**




Source: OUS. Data for U of O.

**Annual resident tuition and fees at the University of Oregon were $1,556 in 1988 and had risen to $4,359 by 2003, nearly tripling in just fifteen years.**

Rising tuition and fees understate the increased cost of education for the families of those students pursuing higher education. At the same time tuition has increased, financial aid awards have shifted away from grants and scholarships and toward loans. Nationally, loans accounted for 41 percent of student aid packages in 1980-81, but 59 percent by 1999-00.[9] Including education tax credits as part of "student aid," loans totaled 54 percent of all aid in 2002-03.[10]

Community college has also become increasingly expensive. Tuition and fees at Oregon's two-year colleges rose from 3.6 percent of the median household income in 1992 to 5.4 percent by 2002, according to the Western Interstate Commission for Higher Education.[11]

## The shifting distribution of taxes contributes to the squeeze for some

State and local taxes have declined as a share of income in Oregon, but not all households have benefited equally, and some have ended up paying more. While taxes have declined as a share of income for upper-income households, and remained unchanged for middle-income households, they have increased for those at the bottom. The effective state and local tax rate of the highest income one-percent in Oregon, with an average income of $672,000, fell from 6.5 percent in 1989 to 6.1 percent in 2002 (Table 4). It increased from 7.2 percent to 9.4 percent for the lowest-income fifth of households, those with incomes below $16,000.

**The effective state and local tax rate of the highest income Oregonians fell, while it rose for the lowest income Oregonians.**

**Table 4. Oregon state and local taxes as share of income**

| | Lowest 20% | Second 20% | Middle 20% | Fourth 20% | Next 15% | Next 4% | Top 1% |
|---|---|---|---|---|---|---|---|
| Income Range | Less than $16,000 | $16,000 to $27,000 | $27,000 to $44,000 | $44,000 to $71,000 | $71,000 to $132,000 | $132,000 to $308,000 | Above $308,000 |
| Average | $9,300 | $21,100 | $34,200 | $56,100 | $90,900 | $182,200 | $672,400 |
| 1989 | 7.2% | 7.7% | 8.0% | 8.0% | 8.3% | 6.9% | 6.5% |
| 2002 | 9.4% | 8.9% | 8.1% | 7.9% | 7.3% | 6.7% | 6.1% |

Source: ITEP. Taxes include value of federal offset.

Federal taxes, by contrast, have declined at all income levels. The primary reason for the shifting tax burden in Oregon is that taxes that hit low-income households have increased, while those that impact upper-income households have fallen.

Over the past decade changes to Oregon's tax system lowered taxes on affluent households and raised them on low-income households. Taxes paid by low-income households rose by 2.2 percent of income, primarily due to cigarette tax increases and the elimination of low-income property relief programs (Table 5). Property tax reform in Measures 5 and 50 cut and capped property taxes but also led to the elimination and downsizing of property tax relief programs for low-income and elderly Oregonians.[12]

The adoption of a state-level earned income credit in 1997 offset some of the tax increase on low-income households, but the impact was modest because the credit is not refundable and is small, only 5 percent of the federal earned income credit. Because it did not rise along with inflation, Oregon's standard deduction lost value between 1989 and 2002, effectively raising income taxes. In 2002, the standard deduction increased but is still not indexed to inflation. Oregon's income tax brackets were indexed to inflation in 1993, but the inflation that occurred between 1989 and 1993 resulted in the top tax bracket kicking in at a lower income level in 2002 than in 1989.

The personal income tax is the smallest tax paid by low-income households, but Oregon levies more income taxes on low-income families than most other states. Of the 41 states with income taxes, only six have higher income taxes on poor families of four.[13] Only one other state – Kentucky – requires higher income tax payments from families of four with incomes at 125 percent of the poverty line.

**Over the past decade changes to Oregon's tax system lowered taxes on affluent households and raised them on low-income households.**

**Table 5. Oregon state and local tax by type and changes between 1989 to 2002**

| | Lowest 20% | Second 20% | Middle 20% | Fourth 20% | Next 15% | Next 4% | Top 1% |
|---|---|---|---|---|---|---|---|
| **Taxes as a share of income in 2002** (does not include federal offset) | | | | | | | |
| Excise Taxes | 2.9% | 1.9% | 1.3% | 1.0% | 0.6% | 0.3% | 0.1% |
| Property Taxes | 4.1% | 3.4% | 2.5% | 2.7% | 2.4% | 2.0% | 1.3% |
| Income Taxes | 2.3% | 3.8% | 4.7% | 5.1% | 6.0% | 6.6% | 7.5% |
| **Change in taxes as a share of income 1989 to 2002** | | | | | | | |
| Excise Taxes | 1.6% | 0.8% | 0.5% | 0.4% | 0.2% | 0.1% | 0.0% |
| Property Taxes | 0.4% | 0.5% | -0.3% | -0.4% | -1.4% | -0.9% | -0.4% |
| Income Taxes | 0.2% | 0.0% | 0.1% | 0.0% | 0.2% | 0.7% | 0.5% |
| Federal Offset | - | -0.1% | -0.2% | -0.1% | 0.0% | 0.0% | -0.5% |
| Overall Change | 2.2% | 1.2% | 0.1% | -0.1% | -1.0% | -0.2% | -0.4% |

Source: ITEP

Taxes paid by the richest one percent of Oregonians fell by 0.4 percent of income because of the property tax reduction and limitation in Measures 5 and 50, and because of a more valuable federal offset due to increased federal tax rates in the 1990s. These tax cuts outweighed higher income taxes paid by affluent households. Upper-income households paid higher state income taxes only because of their rapidly rising incomes. The average income of the wealthiest one percent of Oregonians almost doubled (it rose 98 percent) between 1989 and 2000.[14] With a larger share of their total income taxed at the nine percent rate, the top one percent paid a slightly higher share of their income in state income taxes. Nevertheless, the property tax reduction and limitation and more valuable federal offset outweighed the increased taxes resulting from the rapid income gains.

## Policy responses

While low-income Oregonians have seen their taxes become less affordable over time, as noted above other factors are influencing the financial pressure reported by many Oregonians at tax time. Instead of taxes, the increased financial pressure – the squeeze – is rooted in the rising costs of health care, housing, child care, and education that outstrip Oregonians' income growth. Incorrectly targeting taxes as the source of the squeeze not only distracts attention from the true cause of the financial stress, it also weakens support for public policies that might be used to address these increasingly costly budget items.

### *Housing*

The cold winds of housing affordability may lessen if Oregon's recent subdued home price inflation and in-migration continue. These factors alone, however, will not do much to expand affordable housing for those who need it.

As a starting place for generating additional revenue for housing affordability, the Legislature should reverse its 1999 decision prohibiting local governments in Oregon from enacting real estate transfer taxes.[15] As a limited tax dedicated for housing affordability programs, this tax could potentially provide enough revenue for communities to begin to make a meaningful dent in the lack of affordable housing. Local governments could also pursue land use and zoning changes that make it easier to add “mother-in-law” units or otherwise sub-divide single-family homes into multifamily use.

Already unmet needs for affordable housing for low-income families will likely get worse due to proposed federal policy changes. The Bush administration’s budget would cut “Section 8” housing vouchers by $1.6 billion by 2005. Further cuts and major changes to the federal housing program could result in more than 9,000 fewer families receiving federal housing assistance by the end of the decade.[16] In addition to the pursuit of state and local approaches to improve housing affordability, Oregon’s Congressional delegation should work to oppose and overturn the Bush administration’s proposed cuts.

### *Health care*

Rising health care costs are a national issue that ultimately will require a national policy response. Recently increased media attention to the number of companies leaving Oregon and the US for Canada, where health care costs under the government-provided universal health care system are more affordable, might provide the wake-up call that soaring premiums and 44 million uninsured Americans have failed to produce so far.[17]

Until an adequate federal policy response is developed, the state of Oregon can take some steps to help make health care more affordable. Adequately funding and reinvigorating the decrepit Oregon Health Plan would provide health care to 130,000 Oregonians who, with the budget cuts slated to be implemented later this year, will have lost coverage since the Health Plan's heyday. It would also help draw in more federal funding to Oregon and reduce the cost shift to the insured population that results from "uncompensated" care, primarily through increased utilization of emergency rooms by the uninsured. Aggressively pursuing pooled prescription drug purchases for state and local government employees could lower budget costs as well as add to the political pressure for prescription drug relief nationally. Last, no longer a leader in reducing the uninsured, Oregon should explore what the new leaders in state responses to the national health care crisis are doing to provide more health care to more residents, such as Maine and Vermont.

### *Child care*

Child care financing can be perplexing, since it costs so much for the families that rely on child care but pays so little for the operators and workers in the industry. There are public policies that can be used to help families with the cost of child care. The two main Oregon policies targeted to low-income families are the Working Family Child Care Credit (WFCCC), which reimburses families for up to 40 percent of their child care costs, and the Employment Related Day Care program (ERDC), which provides a subsidy to low income working families. A third program that provided child care assistance to students, the Student Block Grant Day Care Program, was shut down by the Legislature in response to Oregon’s revenue shortfall.

While improvements to the WFCCC are just being implemented with tax returns being filed for 2003, the State could do a better job of promoting the program to maximize its utilization. No state agency takes responsibility to promote and maximize its use. Changes in 2003 have been well publicized, but maintaining an effective outreach program in future years will be more difficult without a particular agency taking responsibility.

Even though the ERDC program expanded following welfare reform, its expansion did not keep pace with increased need. There are still many low-income households that would benefit from it. While Oregon's cash welfare caseload, which covers almost exclusively poor single mothers and their children, is 24,400 lower than in 1993, the number of ERDC cases only rose 4,100.[18] In response to the revenue shortfall facing the 2001-03 budget period, the Legislature scaled back eligibility for the ERDC program from households up to 185 percent of poverty to households up to 150 percent of poverty.[19]

Increased outreach and broader eligibility for this program could help thousands of Oregon families squeezed by the high cost of child care.

In addition to state level policy changes, Oregon's Congressional delegation should oppose and work to overturn major reductions in federal funding of child care. Budget freezes and outright reductions to all of the major federal streams of child care funding will result in 300,000 fewer children nationwide receiving federal child care assistance by the end of the decade.[20]

### *Higher education*

Public universities in Oregon control the tuition and fees charged to students, and lawmakers choose funding levels for state scholarships and "opportunity grants." In recent years tuition has increased and the number of "opportunity grants" has declined.[21] By holding the line on tuition and expanding scholarships and opportunity grants, policy makers in Oregon could help relax the budget squeeze in which students and their families are finding themselves.

### *Make the tax system progressive*

Any changes in Oregon's state and local tax system ought to focus on making it progressive – that is based on the ability to pay. By reversing the trend towards higher state and local taxes for the poorest families and lower taxes for the wealthy, Oregon could help relieve the affects of rising health care and housing costs on low-income families. As an example, Oregon could make the state Earned Income Credit refundable and increase it from the meager five percent to a level that eliminates the income tax burden on working poor and near poor households. In addition, Oregon could restructure the Personal Exemption Credit, making it refundable while also raising it for low-income taxpayers and phasing it out for the wealthiest taxpayers.[22]

### *It all requires revenue*

Nearly all of these policy approaches to helping Oregonians cope with the real costs that are squeezing their household budgets require money. While in general taxes have been falling as a share of income in Oregon, taxes are necessary to raising revenue for these and other public programs. If Oregonians enact tax proposals based on the ability to pay, there will be resources for these programs without hiking taxes on those who cannot afford to pay them.

## Endnotes

[1] Macdonald, Douglas, *Western States' Tax Burdens: Fiscal Year 2002-03*, Utah State Tax Commission, February 3, 2004.

[2] According to the Census Bureau, "Selected monthly owner costs are the sum of payments for mortgages, deeds of trust, contracts to purchase, or similar debts on the property (including payments for the first mortgage, second mortgage, home equity loans, and other junior mortgages); real estate taxes; fire, hazard, and flood insurance on the property; utilities (electricity, gas, and water and sewer); and fuels (oil, coal, kerosene, wood, etc.). It also includes, where appropriate, the monthly condominium fees or mobile home costs (installment loan payments, personal property taxes, site rent, registration fees, and license fees)."

[3] Office of Housing and Enterprise Oversight data. Figures are for fourth quarters of 1988 and 2003.

[4] Kaiser Family Foundation, *2003 Employer Health Benefits Survey*.

[5] ibid, page 90.

[6] Oregon Childhood Care and Education Data Project (OCCEDP), *Data for Community Planning: 2000 Oregon Population Estimates & Survey Findings*, Oregon Child Care Research Project, September 2002, page 21.

[7] OCCEDP, page 22, based on 2000 data.

[8] 2003 Oregon Benchmarks report, Oregon Progress Board. Due to changes in the method for calculating "low-income" levels, the reliability of the comparison of change over time for this benchmark (#47) is uncertain. While the Progress Board does provide this warning in a footnote, it includes analysis discussing the change over time in its benchmarks report.

[9] *Debts and Decisions: Student Loans and Their Relationship to Graduate School and Career Choice*, by Donald E. Heller, University of Michigan School of Education, Lumina Foundation for Education. (June 2001)

[10] The College Board, *Trends in Student Aid*, October 27, 2003.

[11] Western Interstate Commission for Higher Education, *Policy Indicators*, November 2002.

[12] For example, the Homeowners and Renters Refund Program (HARRP) provided a minimum refund of $750 to household with incomes below $17,500 up through 1990-91, but was reduced in 1991-92 and eliminated in 1992-93. Property tax relief programs provided nearly $75 million in relief as late as 1988-89, but provided no relief by 1997-98. 2004 *Oregon Public Finance: Basic Facts*, Legislative Revenue Office, Research Report #1-04.

[13] Zahradnik, Bob and Joseph Llobrera, *State Income Tax Burdens on Low-Income Families in 2003*, Center on Budget and Policy Priorities, April 8, 2004.

[14] Thompson, Jeff and Michael Leachman, *Boom, Bust and Beyond: The State of Working Oregon 2002*, Oregon Center for Public Policy, November 2002.

[15] House Bill 2595.

[16] See "Thousands of Low-income Families to Lose Housing Assistance Under Bush Budget Plan," Oregon Center for Public Policy, Press Release, March 26, 2004. Also see Sard, Barbara and Will Fischer, *Administration Seeks Deep Cuts in Housing Vouchers and Conversion of Program to a Block Grant*, Center on Budget and Policy Priorities, March 24, 2004.

[17] Kosseff, Jeff, "Beaverton Jobs Bound for B.C.," The Oregonian, April 4, 2004.

[18] These figures compare changes between January 1993 and January 2004.

[19] During the 2001-03 biennium the Legislature also raised the minimum co-payment by 72 percent, from $25 to $43, which in turn lowered the caseload for the program. The 2003 Legislature reversed this change, but left the lower 150 percent of poverty income eligibility limit intact.

[20] Mezey, Jennifer, Sharon Parrott, Mark Greenberg, and Shawn Fremstad, *Reversing Direction on Welfare Reform: President's budget Cuts Child Care for More than 300,000 Children*, Center on Budget and Policy Priorities and Center on Law and Social Policy, February 10, 2004.

[21] Landauer, Robert, "Dollar falls against Oregon college costs," *The Oregonian*, March 28, 2004.

[22] Because the current personal exemption credit is not refundable, nine percent goes unclaimed by Oregon's lowest income households.

This work is made possible in part by the support of the Ford Foundation, the Governance and Public Policy Program of the Open Society Institute, the Penney Family Fund, the John and Martha Marks Fund of the Oregon Community Foundation, and by the generous support of organizations and individuals. The Oregon Center for Public Policy is a part of the State Fiscal Analysis Initiative (SFAI) and the Economic Analysis and Research Network (EARN).