

Senate might vote on tax boost today

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Budget-balancing increases in personal and corporate income taxes are a legislative vote from becoming law — or possibly becoming targets for a statewide referendum by anti-tax forces.

The Oregon House on Tuesday approved the two revenue-raising measures, which will generate a net \$733 million of the \$800 million legislative leaders hope to obtain to balance the next two-year budget.

The Oregon Senate has scheduled action on both bills for this afternoon.

"It is necessary to avoid even more devastating cuts in our budget than we face today," said Rep. Phil Barnhart, D-Eugene, chairman of the House Revenue Committee.

Tax measures require 60 percent majorities for approval, and the House did so after 2 1/2 hours of debate.

The Mid-Valley delegation split along party lines, two Democrats voting for the increases and seven Republicans against them.

Republicans said the votes offer a sharp contrast with Democrats.

"Here is an opportunity for a majority of voters (in this chamber) to vote for tax increases — and a minority of voters to vote against them — and let the people decide where the greater wisdom is," said Rep. Dennis Richardson, R-Central Point.

Although he did not propose either bill, Democratic Gov. Ted Kulongoski said Tuesday he would sign both.

"While it would be politically easy to do nothing in the face of Oregon's economic crisis, today's vote demonstrates that we are not willing to let short-term fear paralyze our long-term investment in the people of Oregon," he said in a statement.

The increases would not take effect until 90 days after lawmakers end their 2009 session, scheduled by June 30. Opponents in that period may gather the 55,179 signatures to force a statewide election on both measures; the election date is uncertain, but most likely would be early in 2010.

Two income-tax surcharges, which were structured differently than the current proposals, were rejected by voters in 2003 and 2004.



What's next

House bills 2649 and 3405 are scheduled for a possible vote in the Senate, which plans a late session at 4 p.m. today.

House Bill 3405 (corporate income taxes) passed the House on a 36-24 vote Tuesday. One Republican, Bob Jenson of Pendleton, joined 35 Democrats to support it; one Democrat, Mike Schaufler of Happy Valley, joined 23 Republicans against it.

House Bill 2649 (personal income taxes on higher-income households) passed the House 37-23. Republican Greg Smith of Heppner joined GOP Rep. Jenson and 35 Democrats to vote for the bill.

Democrats lead Republicans in the Senate, 18-12.

Summaries

Details of the two revenue-raising bills that the House passed Tuesday and that may be up for a vote in the Senate this afternoon. All figures are adjusted gross income.

House Bill 2649: Personal income

One was referred directly by lawmakers in 2002; the other qualified for a statewide ballot by petition after lawmakers approved it in 2003.

Even with \$800 million in new taxes, lawmakers are cutting \$2 billion from what experts say is needed in the next two years to maintain state services and aid to public schools at current levels. Rep. Brian Clem, D-Salem, said his central Salem district — heavily populated with public employees — will be hard hit.

"They are deathly afraid of layoffs that are coming to them if all we do is cut budgets," he said.

Rep. Kevin Cameron, R-Salem, said small-business owners have told him about the effects of those increases in their personal income taxes, which they opt to pay instead of corporate taxes, and a new minimum corporate tax based on Oregon sales.

"No budget crisis will ever be able to justify charging income tax when there is no or negative income," he said.

House Bill 2649, which passed 37-23, contains the increase in personal income taxes on higher-income households. Temporary increases in personal income taxes are aimed at the top earners — more than \$250,000 in adjusted gross income for households with joint returns, and \$125,000 for single filers. About 31,000 of the more than 1.5 million individual and household taxpayers would be affected, according to estimates.

The bill also contains a state tax break on the first \$2,400 in unemployment payments, consistent with a federal tax break in the economic-recovery package signed by President Obama on Feb. 17. Part of the \$32 million that break would cost is offset by a tax-amnesty program estimated at \$16 million.

House Bill 3405, which passed 36-24, contains the changes in corporate taxes. The increases in corporate income taxes will affect most businesses — chiefly because the minimum tax will increase from the \$10 set in 1931 to a sliding scale based on Oregon sales — but will mostly affect corporations with net income exceeding \$250,000 annually.

The bills make permanent changes on higher-income individuals, households and businesses starting in 2013.

Counting the \$400 million in higher hospital and insurer taxes that the House approved Monday, "we cap two days that will cost Oregonians more than \$1 billion in the middle of a recession," said Rep. Jim Thompson, R-Dallas. "When more than a quarter of a million Oregonians looking for work, more taxes are not the answer."

But Clem said over the past three decades, individuals are paying a greater share and businesses a lesser share of state and local taxes.

taxes
For joint returns
-9 percent (current) on first \$250,000;
-10.8 percent on next \$250,000;
-11 percent on amounts exceeding \$500,000.
All above effective on 2009-12 tax returns.
-Permanent rate of 9.9 percent on amounts exceeding \$250,000 starting in 2013.
For single filers
-9 percent (current) on first \$125,000;
-10.8 percent on next \$125,000;
-11 percent on amounts exceeding \$250,000.
All above effective on 2009-12 tax returns.
-Permanent rate of 9.9 percent on amounts exceeding \$125,000 starting in 2013.
House Bill 3405:Corporate income taxes
Minimum tax

"When is the right time to raise taxes?" Clem asked. "It's when they are unfair. I have been waiting a long time to vote for this bill."

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- \$150 to \$100,000, based on Oregon sales, for C-corporations;

- \$150 minimum for S-corporations, partnerships, limited-liability corporations and partnerships.

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- \$50 (no change) for nonprofit companies;

- \$100 for Oregon-based companies;

- \$275 for out-of-state companies

For net income exceeding \$250,000

- 6.6 percent (current) on first \$250,000;

- 7.9 percent on excess amounts in 2009 and 2010;

- 7.6 percent on excess amounts in 2011 and 2012.

For net income exceeding \$10 million

- 6.6 percent (current) on first \$10 million;

- 7.6 percent on excess amounts starting in 2013.