

4/24/08

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Dear members of the Comprehensive Revenue Restructuring Committee,

Today your committee will be considering the appropriate size for the rainy day funds followed by Legislative Revenue Officer Paul Warner's presentation on statewide long-term projections for counties and cities.

It's already raining in the Beaverton School District—but don't criticize fiscal management there. A Chalkboard audit "showed that the district uses innovative approaches to allocate resources to schools equitably and based on need, and is creative in strengthening its staff through the expertise of companies such as Nike and Intel and other district programs." The BSD is pulling out their umbrella because of "the economic downturn and fewer jobs in the area," which bodes lower student enrollment.

<http://www.oregonlive.com/news/oregonian/index.ssf?/base/news/120883651888090.xml&coll=7>

http://blog.oregonlive.com/washingtoncounty/2008/03/school_district_rates_well_in.html

The ramifications of laws that benefit these same multi-national conglomerates must be considered. Full implementation of the "single sales factor" formula is "costing Oregon \$77.6 million in the current 2005-07 budget cycle, and will cost another \$65.6 million in the upcoming 2007-09 budget cycle." The Oregon Center for Public Policy estimates that Nike's 2006 tax cut alone from "single-sales" was over \$16 million.

<http://www.ocpp.org/cgi-bin/display.cgi?page=cp0701singlesale>

Tax breaks to corporate behemoths and the wealthiest Americans over the past few decades have shifted tax burdens to the payroll employee. Warren Buffet famously asserts that this is bad policy.

<http://www.blueoregon.com/2007/10/warren-buffett-.html>

<http://www.urban.org/publications/1000851.html>

<http://www.ocpp.org/cgi-bin/display.cgi?page=iss080121capgain>

Any talk of increasing the corporate minimum tax or eliminating the corporate kicker must be accompanied by state corporate tax and subsidy disclosure. That is the only way that Oregonians can be assured that any proposals are truly equitable. <http://www.cbpp.org/2-13-07sfp.htm>

<http://www.goodjobsfirst.org/pdf/statedisclosure.pdf> (See p. 7 for Oregon's F score in this report from Good Jobs First.)

On a more optimistic note, Oregon does appear to be riding the purported recession better than other states. This may be because

Oregon has one of the most progressive tax structures in the nation and the income gap is lower. The Minnesota Citizens for Tax Justice in June 2005 wrote this report, "Progressive taxation does not harm economic performance." Oregon is one of only 6 states with a relatively progressive tax code; and Washington State at the time was determined to be the most regressive. The Development Report Card for the States prepared by the Corporation for Enterprise Development put out this recent report. Oregon earned an A for Development Capacity. This category includes measures of the states' infrastructure, financial resources, educational attainment and R&D investment. Overall Washington fares only somewhat better than Oregon in performance measures.

<http://www.ctj.org/pdf/whosrich.pdf>

http://www.mnaflcio.org/MCTJ06_21_05.pdf

<http://www.cfed.org/focus.m?parentid=5&siteid=2346&id=2364>

http://www.cfed.org/imageManager/DRC_/drc_2007/2007_drc_4_pager.pdf

Oregon is ranked #37 in state/local tax burden and #31 in overall tax burden, with steep declines seen since the early 1990's.

http://www.taxfoundation.org/files/sl_burden_oregon-2007-04-04.swf

We could do better.

I submitted a proposal for a revenue neutral restructuring to the "suggestion box" for the March 13th meeting. Our "progressive" tax is, for practical purposes, flat. Oregonians need to be able to pay for basic needs. A high flat tax on poor people is regressive and doesn't make sense when Oregon needs an economic stimulus.

In summary, I recommend:

- Eliminating the corporate kicker and increasing the corporate minimum tax, while full disclosing state corporate taxes and subsidies.
- Maintaining the current income tax on capital gains.
- Progressive revenue neutral restructuring of our income tax.

We need a paradigm shift of policy that is responsive to the economic chaos of an out-of-control "free" market, which is threatening the middle class with extinction.

Oregon can lead the nation to create this paradigm shift.

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