

Human Services Coalition of Oregon (HSCO)

Testimony of John Mullin, Co-Chair

September 11, 2008

Lane Shetterly, Chair

Task Force on Comprehensive Revenue Restructuring

RE: Revenue Priorities

Dear Chair Shetterly and members of the Task Force:

The Human Services Coalition of Oregon (HSCO) is a statewide group of more than 80 organizations and individuals whose mission is to promote the dignity of all Oregonians through improved public policy and strengthened support for human services. We have been working to improve health and human services for Oregon residents for over 20 years.

At your July 10th meeting, our testimony:

- Emphasized that the principles of adequacy, fairness and stability should guide the evaluation of tax and revenue proposals;
- Pointed out the need to increase the revenue base to enable the restoration of harmful cuts which have been made to crucial safety net programs; and to meet the challenges posed by potentially costly ballot measures and the loss of Federal timber payment funds to counties; and
- Urged you not to restrict your recommendations to options that are "revenue neutral" such that they would simply perpetuate the unsatisfactory status quo.

Pending more specific Task Force recommendations on which to comment, we will limit our observations to the following:

- We strongly support the concept of developing a methodology for more reliable budget forecasting and directing revenues at the upper end of the forecast, if realized, to the rainy day fund; and
- We urge the Task Force to explore measures to ensure that large corporations once again shoulder their fair share of taxes.

Forecasting Methodology and Rainy Day Fund

We congratulate the Task Force on its work to develop a more sensible methodology for budget forecasting which takes into account historic volatility and the need to develop a reserve fund to achieve greater budget stability.

HSCO has supported the concept of a rainy day fund over the years but has had to oppose funding it from current budgeted revenues since, for the people we represent, it is always raining. Funding the rainy day fund from unanticipated revenue during periods of economic growth is a prudent and a practical way to stabilize the delivery of critical services.

Increase Corporate Share of Taxes

In Oregon, the proportion of State income taxes paid by corporations has dropped from 18.5% in 1973-75 to 5% projected for 2009-11. There are multiple factors which have led to this shift including aggressive tax shelter accounting and tax breaks granted by the state and federal government.

The imbalance in favor of corporations was further exacerbated by the passage of Measure 50 in 1997. In 1978-79, households paid 50 percent of all property taxes and businesses the other half. By 2003-04, households were paying 60 percent of property taxes, compared to 40 percent for businesses. Since a property tax structure modification would require a constitutional amendment, it will probably be necessary to seek an alternative means of restoring a fairer balance between corporate and household tax burden.

We understand that the 2009 Legislature may consider an increase in the corporate minimum tax from its present \$10 level (set during the early years of the depression and not changed since). HSCO opposes a moderate raise in the corporate minimum as a substitute for comprehensive reform.

An increase in the corporate minimum tax along the lines previously proposed by the Governor, for example, would generate approximately \$90 million for the biennium. If this increase was enacted, corporations would still be paying less than half of what they paid 30 years ago as a share of the economy.¹

If corporations' fair share was defined by paying state income taxes proportional to their federal income taxes, they would be contributing \$754 million more in state income taxes than they paid in 2006 and 2007.² This is why HSCO opposes a narrow and symbolic increase in the corporate minimum tax in the absence of a more comprehensive approach to reform.

HSCO appreciates the opportunity to submit these comments and looks forward to continuing to participate in the process as the Task Force develops its final recommendations.

Sincerely,



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Cc: Task Force Members; Phil Barnhart Chair, House Revenue Committee
Senator Ginny Burdick, Chair, Senate Revenue and Finance Committee
Governor Ted Kulongoski

¹ Oregon Center For Public Policy, <http://www.ocpp.org/cgi-bin/display.cgi?page=cp0808window>

² Ibid, Oregon produces 1.2% of national GDP, that percentage applied to 24 billion in US profits in 2006 and 2007.