

# **Oregon votes to hike taxes**

**By Scott St. Clair**

OLYMPIA, Wash. - Oregon voters apparently refused to follow what many regard as the national trend against increased taxes. Yesterday, they overwhelmingly approved two tax-increase measures, one on affluent Oregonians and the other on corporations.

Measures 66 and 67 swept the state winning handily by margins of 54 to 46 percent and 53 to 47 percent, respectively. These are close to the margin of victory achieved one week ago by state Senator Scott Brown over Attorney General Martha Coakley for an open U.S. Senate seat in Massachusetts.

Measure 66 called for increased taxes on household incomes above \$250,000 or \$125,000 for individual tax filers. Measure 67 raised the corporate minimum tax from \$10 to \$150 and raised the tax on gross profits. It is estimated that the two would raise taxes a combined total of \$733 million for state coffers..

The increases are retroactive to January 1, 2009, which means any individual who sold large blocks of stock last year resulting in a capital gain – Nike Corporation’s Phil Knight was mentioned as having done this – will face an additional steep tax bill.

Catapulted to victory by a clever media campaign by unions and their allies, almost as soon as the votes were being counted on Election Day, the measures were never in doubt. In Multnomah County, which is home to Portland, the state’s largest city, they passed by a two-to-one margin.

According to campaign donation records, the campaign in favor of Measures 66 and 67, “Yes for Oregon,” far and away outraised and outspent opponents of the measures. Public employee unions were the big donors, with the Oregon Education Association topping the list at \$2.1 million, Local 503 of the Service Employees International Union at just shy of \$1.9 million and Council 75 of the American Federation of State, County and Municipal Employees at just over \$1.1 million.

The total war chest for the proponents of the measures approached \$7 million, while the opponents had raised \$4.55 million with some \$610,000 of that used to pay for signature gathering.

What will Measures 66 and 67 now mean for Oregon? According to Steve Buckstein, a senior policy analyst for the free-market-oriented Cascade Policy Institute, Oregon will have a much harder time coming out of the current economic recession. An added burden of \$733 million in new taxes has just been laid on the very people who create jobs, he said.

Buckstein said that Cascade calculated that by 2018, an estimated 47,000 to 80,000 new jobs that could have been created once Oregon pulled out of its economic doldrums were now gone because of the passage of 66 and 67. In addition, he said, this is in a state that

lost 130,000 private sector jobs due to the recession. So in order to begin counting the now evaporated new jobs, the state would have to recoup all the ones it has lost, Buckstein noted.

“We may ship all our productive businesses to your state,” he said, referring to the state of Washington.

As far as individuals are concerned, Buckstein said that the passage of 66 and 67 will mean that by 2018 there will be some 80,000 fewer tax filers in Oregon. This will be the result of a combination of high-income individuals who had contemplated relocating to the state but now think otherwise and those who are in the state currently but who will relocate to one with lower taxes, he said.

Buckstein also said that, given the current poor economic climate, he doubted that companies will try to pass the cost of the measures on to their customers. Instead, he said, it will be employees who will be made to pay, with the payment coming in the form of reduced wage increases, possible wage cuts or job losses.

Across the Columbia River, Vancouver, Wash. businessman Bruce Holmstrom viewed the vote as a backlash against business. “Oregon businesses didn’t come up with enough information to counter (the measures)” he said.

He said he expected that any business that has the ability to pull up stakes and move in order to change their tax position would contemplate doing it. And the message for businesses in Washington state is pretty clear.

“The Washington business community has to get together and have a frank discussion with the state about our negative business environment,” he said. Boeing sent that message to the state for years, he said, before they started taking their business to other states.

Holmstrom also expressed concern that few people in the state of Washington grasp economic principles about the impact of tax increases on jobs and the health of the local economy.

When asked his opinion on what would happen should something similar to the Oregon measures be enacted in Washington state he said it would be another layer of expense that would get passed on to consumers. If they choose not to buy a product – in his case petroleum products – because of it, then he wouldn’t need as many employees on his payroll to deliver the product to them.

Personally, he said, “It wouldn’t affect me, but it would limit opportunities for members of my family and younger employees.”

Initiative guru Tim Eyman sought to put distance between the Oregon vote and what might happen in Washington state. He stressed the difference in tax cultures between the

two: Oregon has long been an income-tax state, while Washington depends on the sales tax.

“Democrats in the Washington State Legislature are on a kamikaze mission to raise taxes,” he said, “but even they aren’t crazy enough to go against long-standing public opposition in the state to an income tax.”

Media reports have Gov. Christine Gregoire seeming to regard the Oregon vote as a green light to raise taxes in Washington state. She was quoted in The Seattle Times as saying, “The Oregon results should have a major impact on ongoing budget discussions here in Washington state.”

One thing the state will not do, however, is try to recruit Oregon businesses to move to Washington. According to Penny Thompson with the Washington State Department of Commerce, there is an un-written understanding among the states that they won’t poach each others businesses.