



Top Ten Whoppers from the Job Stoppers

Whopper No. 1

There is no “third way” or “Plan B” or “alternative” if voters reject these tax increases. If voters reject these measures there will be further dramatic budget cuts to Head Start, K-12 schools, community colleges, universities, health care, state troopers, etc. The tax increases protect nearly \$1 billion in vital services like education, health care and public safety.

The Facts

According to the Legislative Revenue Office, the state will only have a \$318 million deficit if voters reject these permanent tax increases and the legislature uses the funds in the state’s two major reserve accounts. If the two tax measures are defeated, the legislature could maintain current budgets by dipping into existing state agency cash reserves, reducing personnel costs or even crafting more responsible tax measures when it meets in February.

For example, the legislature could refuse to fund state employee salary step increases or require the governor to re-open the state employees’ contract. Or, the legislature could require state workers to contribute to their health care coverage at the same level Oregon public school teachers contribute to theirs. The one-year savings on this alone would be \$131 million.

Neither tax increase is specifically tied to a particular expenditure so the defeat of one or both tax increases will not lead to specific cuts. Legislators will choose what programs services to cut if cuts are necessary.

Whopper No. 2

The 2009 Oregon Legislature made \$2 billion in cuts before increasing taxes to balance the 2009-11 Budget.

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The Facts

The 2009-11 All Funds Budget is \$4.7 billion higher than the 2007-09 All Funds Budget. That's a 9 percent increase. Tax proponents say that increase is primarily because of federal stimulus dollars, but that's not true.

The fact is that the 2009-11 General Fund budget, which includes only state funds, is \$485 million higher than the last General Fund budget. Those are spending increases by anybody's definition but somehow not in state government. The touted budget "cuts" actually reflect an increase in spending, just a smaller increase than anticipated.

The legislature's half-billion dollar increase in General Fund spending included \$259 million in salary increases for state employees.

The 2009 Legislature should have tightened its belt like the rest of us instead of asking for more tax dollars to uphold its runaway spending.

Whopper No. 3

Big corporations are getting away with paying Oregon's \$10 minimum tax, which hasn't changed since 1931. Measure 67 will make big corporations pay their fair share.

The Facts

The corporations that pay Oregon's current \$10 corporate minimum tax are businesses that have not made a profit or have no taxable income. Businesses that make a profit pay the 6.6 percent corporate income tax on these profits.

Measure 67 changes the \$10 flat fee for businesses that have no taxable income to a sliding scale between \$150 to \$100,000—based on a company's gross sales, not net profits. This new gross sales tax disproportionately impacts high-volume sales, low-margin businesses like grocery stores, restaurants and gas stations.

In fact, most states have no minimum tax on businesses that aren't making a profit. Among those states that do levy a minimum tax on corporations with no profits, 17 charge an average of \$200. All but two of these states have a flat rate minimum, like Oregon's current corporate minimum tax. Only New York and Minnesota have graduated minimum taxes based on total sales, similar to Measure 67. Those two states levy a maximum of \$5,000. Measure 67's so-called minimum tax would make Oregon's

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20 times higher than these states. Measure 67 would give Oregon the highest corporate minimum or “no profits” tax in the country.

Whopper No. 4

Measures 66 and 67 protect the equivalent of \$285.5 for K-12 education, \$24.4 million for Oregon’s community colleges, \$39.9 million for the Oregon University System, \$5.1 million for student assistance, \$4.1 million for Oregon Health and Science University. The funds from these tax increases preserve class sizes, save jobs for teachers, provide seniors with in-home care and provide health care for thousands of Oregonians through the Oregon health plan.

The Facts

Neither tax increase is specifically tied to a particular expenditure so the defeat of one or both tax increases will not lead to specific cuts. It could just as easily be said that Measures 66 and 67 protect the \$259 funding for public employee salary increases the 2009 Legislature approved. The Legislative Revenue Office has reported that the state will only have a \$318 million deficit if voters reject these permanent tax increases and the legislature uses all the funds in its two major reserve accounts. That’s less than three percent of the state budget to cut!

The legislature could maintain current budgets by dipping into other state agency cash reserves for financial emergencies, cutting personnel costs or even crafting more responsible tax measures when it meets in February.

For example, the legislature could refuse to fund state employee salary increases agreed to after the 2009 Legislature adjourned or require the governor to re-open the state employees’ contract. Or, the legislature could require state workers to contribute to their health care coverage at the same level Oregon public school teachers contribute to theirs. The one-year savings on this alone would be \$131 million. The legislature could redirect \$13 million of the \$63 million currently in the Risk Assessment Account used to cover lawsuits against the state.



Whopper No. 5

Measure 67 increases the marginal tax rate on corporate profits above \$250,000 by only 1.3 percent.

The Facts

Measure 67 supporters are playing games with numbers. They're afraid to let voters know that the corporate tax hikes under Measure 67 alone amount to a 40 percent total increase in state corporate taxes for 2009-11. Economists say this kind of business tax, coupled with the personal income tax, would result in 70,000 more Oregonians losing their jobs.

Measure 67 supporters try to create the illusion of a tiny increase by only mentioning the percentage point increase in the rate. In fact, the corporate income tax rate will go from the current 6.6 percent to 7.9 percent in 2009 and 2010. That's nearly a 20 percent increase in just one of the three components of Measure 67's corporate tax hike. (Corporate income tax increase, corporate minimum tax increase based on gross sales and corporate filing fee increases.)

Whopper No. 6

Measure 66 increases the marginal tax rate on personal income above \$250,000 for couples by only 1.8 percent.

The Facts

Measure 66 supporters playing games with numbers. They're afraid to let voters know that Measure 66 amounts to a 20 percent increase on personal income above \$250,000 for couples. Voters would see that kind of tax increase would contribute to the 70,000 additional jobs economist estimate Oregon would lose under Measures 66 and 67. The reason: 66 percent of the tax filers targeted for the legislature's increase in personal income tax rates are small and family-owned business owners who report their business profits on their personal income tax statements.

Measure 66 supporters try to create the illusion of a slight increase by only mentioning the percentage point increase in the rate. Under Measure 66, the tax rate goes from 9 percent to 10.8 percent -- a 20 percent increase. Measure 66 also moves the tax rate for certain filers from 9 percent to 11 percent. That's a 22 percent increase!



Whopper No. 7

Business doesn't pay its fair share of taxes in Oregon.

The Facts

Tax proponents say the “corporate share” of Oregon taxes has declined over time. One reason is the number of S-corps has increased drastically.

99 percent of Oregon's 55,000 S-corps pay no corporate income tax other than the corporate minimum, but that doesn't mean the state is not collecting tax revenues from these enterprises. More than half of all business income in Oregon is reported on personal income tax filings.

In tax year 2006 Oregon taxable income for all corporate filers was \$7,727,887,000. In the same year, business income on personal income tax forms (by full year filers) was \$8,307,555,000. Small business owners report their business profits on their personal income tax filings.

The Legislative Revenue Office reports that 66 percent of the tax filers targeted for the legislature's increase in personal income tax rates are small and family-owned businesses or farms.

Whopper No. 8

The wealthy don't pay their fair share in Oregon.

The Facts

The Oregonians whom the legislature singled out to pay higher taxes make up 2.27 percent of all taxpayers, but in 2007 they paid 32.4 percent of all income taxes collected, according to data from the Oregon Department of Revenue analyzed by ECONorthwest. That's right: 1 in 3 teachers, 1 in 3 fire fighters and 1 in 3 state workers are all financed by 2.27 percent of our population.

Economists and public policy analysts look at a tax system's “progressivity” to determine fairness. A progressive tax system is one in which the share of income paid in taxes rises with income. How does Oregon's tax system measure up? ECONorthwest concluded, “The progressivity of the Oregon income tax is clear. The effective rate rises with income.”



That's also a conclusion held by tax-friendly public policy analysts when they're not campaigning for permanent income tax increases. Len Burman, a senior fellow at the liberal Urban Institute and a favorite analyst of progressive Chuck Sheketoff and the Oregon Center for Public Policy, wrote in an April 18, 2005 memo to Sheketoff, "The reliance on income taxes rather than sales taxes also means that Oregon's tax system is more progressive than most states."

Whopper No. 9

Last year the average family of four paid \$3,100 in taxes. That's more than 300 corporations combined. Oregon can no longer afford for two-thirds of corporations to pay just \$10 a year while Oregon's working families struggle to make ends meet.

The Facts

The businesses that pay the \$10 corporate minimum tax are business that have not made a profit or have no taxable income. Unlike the average family, these businesses don't have any income to tax. Increasing Oregon's corporate minimum tax based on a company's gross sales between \$150 to \$100,000 will harm Oregon working families. Companies that are not making a profit will increase prices, reduce wages and benefits and even lay off workers.

Most states have no minimum tax on corporations.

The job stoppers' new corporate minimum tax would give Oregon the highest minimum income tax or "no profits" tax in the nation. Only New York and Minnesota have graduated minimum taxes based on total sales, similar to Measure 67. They charge a maximum of \$5,000. Measure 67's minimum tax is 20 times higher—up to \$100,000.

Whopper No. 10

Oregon will continue to have the lowest corporate taxes on the West Coast. Washington's Business & Occupation tax, at 0.47 percent, is almost 5 times higher than Oregon's new corporate minimum tax, at 0.1 percent of Oregon sales, and has no upper limit on what corporations pay.

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The Facts

In this whopper, the job-stoppers employ the magicians' misdirection trick.

For *unprofitable* manufacturing and retail companies, the statement is true. (Washington's Business & Occupation tax ranges from .13 percent for some industries to 1.5 percent for others). But for *profitable* companies, the tax is higher in Oregon because Washington does not have a corporate income tax.

A large employer like Microsoft would pay about five times more state taxes if it were in Oregon.

Washington also does not have a personal income tax. This means that the owners of many small businesses, who report their business income on their personal income tax filings, pay significantly more taxes in Oregon than Washington. This gap will become even wider if Measure 66, the personal income tax increase, passes in January.

Measures 66 and 67 will make our state less inviting to employers big and small and force Oregon businesses to lay-off workers, reduce wages and benefits and even close their doors.

Again, the legislature's new corporate minimum is a tax on businesses that have not made a profit. This new tax on 0.1 percent of gross sales means that these unprofitable businesses will face a tax increase of as much as \$100,000.