

Income tax increases OK'd by Oregon House

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By BRAD CAIN / Associated Press

Higher taxes on Oregon corporations and people in upper income brackets were narrowly approved Tuesday by the Oregon House after Democrats argued the revenue is needed to protect state's vital services from deeper cuts.

However, Oregon voters could end up having the final say on the tax hikes.

Anti-tax groups said after Tuesday's vote they plan to mount referral campaigns to force one or both of the income tax measures to a statewide vote.

"The Democrats aren't reading the tea leaves very well. The public isn't in a mood for any tax increases," said Russ Walker, Oregon director of the national fiscal conservative group FreedomWorks.

The increases, which now advance to the Senate, would raise corporate and individual income taxes by more than \$733 million over the next two years.

Democrats say the increases would bring more fairness to the state's tax code and help pay for schools, public safety and human services programs in the next two years.

"It is never easy to vote for tax measures," said House Speaker Dave Hunt. "I applaud those members who were willing to stand up for our children, seniors, disabled and vulnerable Oregonians who rely on the services we pay for with tax dollars."

Besides raising taxes, the Democratic-controlled Legislature is preparing to cut programs by \$2 billion and tap into state reserves and federal stimulus dollars to balance the budget.

However, Republicans called the tax increases a "job killer" that will only prolong the state's economic recession. They said lawmakers could find others ways within existing resources to fund key services and not raise the tax burden of businesses and higher income earners.

"Like individuals and families, the government must learn to live within its means," said Rep. Dennis Richardson of Central Point.

One of the bills sets a higher tax rate for individuals who make more than \$125,000 a year or households that report more than \$250,000 a year in earnings.

Income over those amounts would be subject to a bracket of 10.8 percent, instead of 9 percent. Single filers making more \$250,000 and households earning more than \$500,000 would pay an 11 percent tax on income above those levels.

The other measure would increase the minimum tax paid by two-thirds of businesses incorporated in Oregon. Currently the corporate minimum tax is \$10, and the bill contains a sliding scale that starts at \$150 for Oregon sales up to \$500,000, and tops out at \$100,000 for sales greater than \$100 million.

The bill also would require corporations with net incomes above \$250,000 to pay a higher corporate tax rate of 7.9 percent instead of 6 percent. And it raises the corporations' filing fees.

It's likely the bills will win approval in the Senate, where Democrats hold an even larger majority of seats than in the House.

However, the increases would not take effect until 90 days after lawmakers end their 2009 session, scheduled to adjourn by June 30. During that time, anti-tax groups would need to gather at least 55,179 signatures to force a statewide election on both measures.

The election likely would take place early in 2010.

The corporate tax measure is House Bill 3405; the individual income tax measure is House Bill 2649.

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