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Opinion

Guest Opinion: Oregon on the verge of real tax, spending reform

By Pam Marsh

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When I was elected to the Oregon House of Representatives last November, I had no way to know that nine months later I'd have the opportunity to help Oregon solve problems that have been festering for decades.

But this week I'll be joining with my colleagues to consider reforms that could profoundly benefit families and communities across the state. If approved, these reforms will end decades of budget uncertainty and finally allow the state to make strategic new investments in our schools and universities, health care systems and public safety agencies.

The package under consideration will also contain costs, reform PERS, and provide taxpayer relief. Our goal, now within reach, is to streamline the state budget and move toward a tax system that is stable, equitable and adequate.

This is an extraordinary opportunity to bring labor, business, education, budget hawks and taxpayers together to stabilize Oregon's financial future.

Here are the plan elements:

Tax reform

Oregon's ongoing budget struggles are the result of a fundamental, structural imbalance between existing revenue streams and the needs of the state. In short, the tax system that we created nearly 100 years ago is no longer adequate or equitable.

Over time, corporate income tax has declined as a share of the income tax revenue from about 18 percent in the mid-70s to about 6 percent today. The income tax burden has shifted from corporations to individuals. Furthermore,

over-dependence on personal and corporate income taxes creates instability in times of economic fluctuations.

The proposal at hand would eliminate the current corporate income tax and initiate a Commercial Activities Tax (CAT). The CAT, a gross receipts tax on sales and services, would be imposed on a broad base of businesses at a very low tax rate; proceeds would be largely dedicated to education, including pre-school, K-12 and higher education.

Businesses with less than \$3 million in receipts (92 percent of all entities) would pay \$250; those above would pay a tiered rate based on the type of industry, ranging from 0.15 percent for agriculture and forestry up to 0.75 percent for services.

The proposal creates a tax system that responds to the unique needs of different business sectors and dramatically simplifies Oregon's outdated business tax structure. The Byzantine corporate tax code would be reduced to about one page.

Taxpayer relief

Recognizing that even a very low tax will affect consumers, the package would reduce income tax rates for low- and middle-income families.

Cost containment

Tax reform must be accompanied by strong measures to ensure that every dollar is being spent in the most effective and efficient manner. Accordingly, the Legislature has identified a list of cost containment initiatives that, when fully implemented, will save about \$660 million per biennium.

PERS reforms

Because of decisions made in the past, the state's Public Employees Retirement System has become an increasing burden for our local and state government, which must pay constitutionally protected benefits to retirees. The PERS reform under consideration would divert a portion of each employee's salary to help fund employer PERS costs.

The package described above would produce approximately \$900 million in

additional revenue for this biennium. Obviously, this could be a game changer for our schools and universities. For the first time since Measure 5 passed in 1990, we would be able to invest in reducing class size or restoring a full school year.

Finally, after years of groping for solutions to our tax and revenue dilemmas, we are on the verge of success. We have a package of reforms that addresses every interest at the table. If we act now, we can adopt effective reforms and avoid an unpredictable initiative process.

For too long we've scabbled budgets together and ignored Oregon's fundamental problems. Now it's time for the Legislature to step up and put Oregon on the path to a successful future.

— *Rep. Pam Marsh, D-Ashland, represents District 5 in the Oregon House.*