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## Act Limiting State Property Tax; Portland Municipal Zoo Measure

City Club of Portland (Portland, Or.)

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**Report**  
**On**  
**ACT LIMITING STATE PROPERTY TAX**

Limiting state property taxes; prescribing an effective date; and providing that this Act shall be referred to the people for their approval or rejection.

*Be It Enacted by the People of the State of Oregon:*

Section 1. The State of Oregon shall not for any fiscal year *collect* a state property tax, either directly or by apportionment among the several counties, in any greater sum than the total of (a) an amount equal to six mills multiplied by the total equalized assessed valuation for that year of the taxable property in the state, and (b) such additional amount as it may be necessary to collect by means of such a property tax for that year to pay bonded indebtedness or the interest thereon.

Section 2. This Act shall take effect on July 1, 1953, shall apply to each fiscal year beginning on or after that date.

316 Yes — I vote for the amendment.

317. No — I vote against the amendment.

To the Board of Governors,  
City Club of Portland:

**SCOPE OF REPORT**

Your committee was directed to investigate, analyze and report on House Bill 812 quoted above, which would limit the state property tax to six mills in any fiscal year plus such additional amount as may be necessary to pay bonded indebtedness or interest thereon.

**BACKGROUND**

One of the basic causes of the complications and confusions now existing in the Oregon tax laws, is the fact that the State property tax is nominally and theoretically a primary source of support for the State's general fund; whereas, in fact no such property tax has been collected in recent years, because the State's income tax collections are pledged and used as an offset for collecting the State property levy, and the income tax revenues have been more than ample to offset the full state levy.

So long as income tax collections continue high, no one is greatly concerned about the amount of the nominal State property tax, and the question of a limit on this tax is largely academic. If depression times return, however, and income tax collections fall off, the amount of the State property tax levy would become important.

In the meantime, the excess of the income tax collections over the State's nominal property levy, is largely unavailable for general state use.

Over a period of many years there has been an effort on the part of the tax committees of the various legislatures to simplify Oregon's tax structure. One of the basic simplifications proposed has been to rewrite present laws in such a way that all revenues would go into the general fund of the State, instead of earmarking certain revenues for certain uses. If this proposal were adopted, the result would be, among other things, that income tax collections would be placed directly in the general fund, and, with the property tax, if and when any such tax were levied, would become a primary support for that fund. Concurrently, many State activities now supported out of special funds would become charges upon the general fund.

It can be seen that if the above program were carried out, and if thereafter a depression sharply curtailed the State's income tax collections, the result would be that most of the State's activities would have to be supported from other sources, such as a State

property levy. In such a case, property could conceivably be assessed a total of approximately \$75,000,000. H. B. 812, set forth above, is directed against this contingency, it being felt that if this general program is adopted, a companion law should limit the possible State assessments against property, as property is already carrying a heavy load on the local level.

House Bill 812 originated in the House at the last legislature and was sent to the Senate. The Senate did not believe there was sufficient time to study and pass it during the last few days of the session. The bill was therefore referred to the people, in order that they might express their views as to the action that should be taken.

## INVESTIGATION

In order properly to study and hear all of the arguments presented for and against the proposed act, your committee interviewed the following people who are well acquainted with Oregon's tax structure and the background of this act:

Mr. Rudie Wilhelm, Jr. — Multnomah County member of the State legislature.

Mr. Kelly Loe — Economist, A.F.L.

Mr. Robert Hall — Chairman, Portland Chamber of Commerce Taxation Committee.

Mr. Ben Buisman — Editor, Oregon Grange Bulletin.

Mrs. Louise Humphrey — Oregon Business and Tax Research.

Mr. Cecil W. Posey — Executive Secretary, Oregon Education Association.

Besides the above interviews, your committee read reports made by interim tax committees and studies made by independent tax consultants.

## ARGUMENTS FOR THE ACT

1. In most states, the property tax is not now the foundation of State credit, as it was during the 1910-1930 period. In fact, nationally, state property taxes bring in less than 4% of the total revenue of the states. Other state revenues have been increased and the property tax has become the main source of revenue for the local tax agencies.

2. Since the State property tax has a prior claim on property during a period of substantial delinquency in tax payments, the functions of all other government units (county — city — schools, etc.) Could be seriously impaired if no limitation were put on the state property tax.

3. The measure will serve as a companion law to other contemplated simplification.

4. This is a statutory change and not a constitutional amendment. If experience discloses any defect in the act, it can be changed by the legislature or a vote of the people at any time.

5. It is conceivable that if this bill fails to pass affirmatively at this election, the legislature may abandon its plans for simplification of the tax structure.

## ARGUMENTS AGAINST THE ACT

1. It is basically wrong to limit any source of state revenue needed by the legislature.

2. This act will put state finances in such bad shape as to force a sales tax, if income tax collections ever decrease sharply.

3. The basic school bill tax of \$80.00 per pupil per year is now a direct state levy on property, offset by the state income tax receipts. Thus, if the six mill limitation act passes and the proposed general revision of the state fiscal operations is not also adopted, the schools will have to appeal to the legislature for additional funds outside of the six mill levy. After the new fiscal laws are written, the schools will have to seek their appropriations from the general fund along with all other state agencies. This contrasts with the present situation, because under the present law, the \$80.00 per pupil is approved in advance and so is taken care of under segregated funds. For these reasons, the supporters of the basic school funds fear that the six mill limitation act will or may jeopardize the support for the basic school fund. Its total cost is far in excess of the revenues which will be produced by the proposed maximum six mill levy, on present assessed valuations.

4. This bill will not eliminate a state tax in excess of six mills, but will merely subject a higher levy to the two-year delay of a referendum vote.

## CONCLUSION

We believe it is desirable for many reasons to simplify the state tax structure. It is a well-known fact that the fiscal policy of segregating funds (the system which is currently being used by our state) is extremely unsatisfactory. Establishing a system whereby all income is put into a general fund, and disbursements made from this fund, would be more efficient for the following reasons:

- (1) It would simplify the bookkeeping system.
  - (2) It would make funds available when appropriations are to be made.
  - (3) It would keep the voters and the legislators more informed as to the financial status of the state, and
  - (4) It would simplify the task of the state legislature.
- Evidence presented by tax people before your committee indicates that this act is a basic part of the simplification program.

Real estate is carrying a heavy load on the local level. That load looks as though it will continue and even increase. The national trend of state taxes, however, over the past twenty years, has been to reduce the load on real estate and to obtain revenue from income taxes, sales taxes, cigarette taxes, etc. We believe this is necessary and sound.

When all tax revenues of the state are placed in the general fund, instead of being earmarked for specific uses, there is the possibility that if income tax revenues falter (and it is a tax of good times), there could be a heavy state assessment against real estate. This law would limit that assessment, in a manner and to an extent that seems desirable.

## RECOMMENDATION

Your committee finds that the arguments for the measure are of greater weight than those against, and therefore recommends that the City Club go on record as favoring passage of the proposed act.

Respectfully submitted,

HAROLD H. CAKE  
LINTON ERBLAND  
WILLIAM B. BOONE, *Chairman*

## Report

on

## PORTLAND MUNICIPAL ZOO MEASURE

The undersigned Committee on the "Portland Municipal Zoo" made a report which was published in the City Club Bulletin for March 23, 1951. The report recommended, among other things, that a new zoo should be built by the City of Portland, on a new site; and that the required capital outlay should be financed from the proceeds of a special levy to be submitted to the voters. This report was adopted unanimously by the Club on April 6, 1951.

Your Committee has now examined the charter amendment which is to be on the municipal ballot in November of this year, authorizing a general obligation bond issue in the sum of \$4,000,000, to be repaid through a special levy of 1.4 mills, or \$800,000, whichever is less, over a period of 6 years. The bond proceeds are to be used for the construction of a new zoo.

This measure is fully in accord with the recommendations of this committee, and we note that it has been sponsored and recommended by the City Zoo Commission and the Portland Zoological Society, both of which have come into existence largely as a result of the Committee's report.

On the basis of the information and arguments set forth in our report, dated March 23, 1951, and consistently with the recommendations therein contained, we recommend voting "502 Yes" on the above measure.

HAROLD KING  
ERNEST MARKEWITZ  
M. M. MATTHIESSEN  
WM. C. MCCULLOCH, *Chairman*