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*Printed herein for presentation, discussion and action on Friday, April 20, 1973:*

**REPORT**

**ON**

**PROPERTY TAX LIMITATION:  
SCHOOL TAX REVISION**

**(State Measure No. 1 in  
special election May 1, 1973)**

*The Committee:* William C. Carpenter, Donald Flora, Fergus O'Scannlain,  
Raymond A. Thompson, Paul Ventura, Donald W. Williams and  
Chairman Thomas L. Gallagher, Jr., *for the majority.*  
Thomas Hamann, Jerrold J. Isom, and Roman J. Okoneski, Jr., *for the minority.*

\* \* \*

**ELECTED TO MEMBERSHIP**

*James S. Hickey, III*, General Contractor. Secretary-Treasurer, James S. Hickey,  
Inc. Sponsored by Gary L. Michael.

*Joseph A. Oliver, Jr.*, Marketing Manager, International Business Machines.  
Sponsored by Kenneth Wiedemann.

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*"To inform its members and the community in public matters and to  
arouse in them a realization of the obligations of citizenship."*

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COLUMN CITES CONFUSION  
OVER TAX PROPOSAL

If the complex "tax reform" proposal in this week's Bulletin to be presented this Friday for City Club action is heavy going for you, even reduced as it is to "laymen's language", you might enjoy reading or re-reading the following quip which appeared in Francis Murphy's "Behind the Mike" column in the *Oregonian* recently:

Oregon's Legislators were addressed at length Tuesday by the president of Japan's Junior Chamber of Commerce, who spoke in uninterpreted Japanese. After the speech, one member remarked, "You know, that's the best explanation I've heard of Governor McCall's tax proposal". His companion replied, "But I still don't understand the school distribution formula!"

## PROGRAM SCHEDULE:

April 27: James A. Roche, chairman of the President's Commission on employer support of reserves and national guard.

May 4: Jacob Tanzer, director, Department of Human Resources, State of Oregon, on the future for human services.

May 11: John McMillian, president-designate, APCO (natural gas company which will take over El Paso's holdings in the Northwest) on gas and the energy crisis.

May 18: Congressman Wendell Wyatt, U.S. House of Representatives. Topic to be announced.

REPORT  
ON  
**PROPERTY TAX LIMITATION:  
SCHOOL TAX REVISION**

(State Measure No. 1)

Purpose: Retains limitations on school tax levies for bonds, capital expenditures, transportation and intermediate education districts. Limits school districts' other tax levies to \$2 per \$1,000 value. Permits state-wide school tax on nonresidential property not exceeding \$10 per \$1,000 value. Makes effective legislation increasing personal income and corporate tax rates, limiting federal tax deduction, creating business profits tax, prescribing revenue distribution for school districts, and declaring preservation of local school control the public policy of Oregon.

To the Board of Governors,  
The City Club of Portland:

## I. INTRODUCTION

State Measure No. 1 (SM1) is a proposed constitutional amendment passed by the Oregon Legislative Assembly and referred to the voters of Oregon in a special election to be held on May 1, 1973. The measure would impose certain constitutional limitations upon the the power to levy *ad valorem* taxes on property to finance the use, construction, maintenance or operation of schools or educational institutions offering education at grades 12 or below. House Bill 2004 (HB 2004), which has been passed by the 1973 Legislature and which provides for substantial changes in Oregon's tax laws, becomes law on the effective date of the constitutional amendment.

Your Committee has had inadequate time to fully analyze these complex proposals and their potential effects. Therefore, your Committee has necessarily taken an overview and has had to rely on certain statistical information without having the capability or the time to verify it independently. To the extent that such information is subsequently shown to be incorrect, conclusions drawn in this report are subject to change. No effort was made to determine if there are specific drafting mistakes in SM1 or HB 2004, but rather the Committee has focused its attention on the main operative provisions of that bill.

## II. BACKGROUND

Property taxes, as well as the cost of education, have risen substantially in recent years in Oregon. A number of school districts in Oregon have had considerable difficulty in obtaining voter approval of operating levies outside of their inadequate tax bases. A portion of this voter resistance may be simply an objection to the overall tax burden, with the operating levies for schools being the only place to really express this objection, but at least part of this voter rejection would appear to be a rejection of the property tax.

In 1968, a proposed constitutional amendment was placed on the November ballot by an initiative petition. That ballot measure would have limited property taxes for all purposes to one percent of true cash value. This measure was defeated at the polls.<sup>1</sup> In 1972, a proposed constitutional amendment was placed on the November ballot by an initiative petition sponsored by the Oregon Farm Bureau Federation which would have prohibited the use of property taxes for school operating costs. It, too, was soundly defeated at the polls.<sup>2</sup> These measures did not provide any alternative means of funding.

<sup>1</sup>The measure was defeated by a vote of 503,443 No; 276,451 Yes.

<sup>2</sup>The measure was defeated by a vote of 551,816 No; 339,431 Yes.

The schools of Oregon rely heavily on property taxes to finance their operating expenses. The relative amount of state school support has been declining, and it is now approximately 22 percent. Over 60 percent of the total property tax collected in Oregon, from both residential and non-residential property, goes toward payment of operating costs of Oregon's schools.

### III. MAJOR FEATURES OF SM 1 AND HB 2004

#### A. TAXATION

The basic revenue-producing features of HB 2004 are as follows:

1. A business profits tax is imposed upon the net business profits of corporations, proprietors and partners. In arriving at net business profits, no deduction is allowed for salaries or other compensation paid to a corporate shareholder owning 10 percent or more of the outstanding stock of a corporation or to a proprietor, partner or employee who shares in the profits and losses of an unincorporated business.

The business profits tax rates imposed are:

| <u>Net Business Profits</u> | <u>Rate</u> |
|-----------------------------|-------------|
| \$ 0 - 15,000               | 0           |
| 15 - 75,000                 | 1%          |
| Over 75,000                 | 2%          |

No business profits tax is imposed on salaries received by individuals.

2. The present corporation excise tax of 6 percent (8 percent for banks and financial institutions) on net income is changed to rates from 4 percent to 9 percent on all corporations graduated as follows:

| <u>Net Income</u> | <u>Rate</u> |
|-------------------|-------------|
| \$ 0 - 1,000      | 4%          |
| 1,000 - 2,000     | 5%          |
| 2,000 - 4,000     | 6%          |
| 4,000 - 6,000     | 7%          |
| 6,000 - 8,000     | 8%          |
| Over 8,000        | 9%          |

3. The present personal property tax on inventories which was being phased out over the years 1969-1979 is eliminated.
4. Individual income tax rates would be increased as follows:

| <u>Oregon Taxable Income</u> | <u>PRESENT</u>                |                           | <u>PROPOSED</u>               |                           |
|------------------------------|-------------------------------|---------------------------|-------------------------------|---------------------------|
|                              | <u>Tax on Tax-able Income</u> | <u>% of Tax on Excess</u> | <u>Tax on Tax-able Income</u> | <u>% of Tax on Excess</u> |
| \$ 0                         | \$ 0                          | 4%                        | \$ 0                          | 5%                        |
| 500                          | 20                            | 5%                        | 25                            | 7%                        |
| 1000                         | 45                            | 6%                        | 60                            | 8%                        |
| 2000                         | 105                           | 7%                        | 140                           | 9%                        |
| 3000                         | 175                           | 8%                        | 230                           | 11%                       |
| 4000                         | 255                           | 9%                        | 340                           | 12%                       |
| 5000                         | 345                           | 10%                       | 460                           | 13%                       |

The above table applies to a single individual or one filing a separate return. For a joint return, head of household or surviving spouse return, the above income brackets are doubled, with the result that the proposed maximum 13 percent rate applies to taxable income of over \$10,000.

5. The deduction of Federal income tax on the Oregon income tax return is limited the actual Federal income tax or \$2,000, whichever is smaller.

6. The bill allows individuals a credit on their Oregon income tax return of 10 percent of the property tax paid on owner-occupied residential property. Renters are allowed a similar credit of 9 percent of actual rent paid. The existing homeowner's property tax relief provisions are expanded to provide comparable relief to renters.
7. HB 2004 enacts a state-wide property tax on all taxable property other than owner-occupied residential property. The rate is established at \$7.50 per \$1,000 of true cash value.

The basic revenue features of SM1 are as follows:

1. State Measure 1 contains constitutional limitations on the power to levy property taxes for the operation of schools.
2. Without a vote of the people, school districts may levy a maximum property tax of \$2.00 per \$1,000 true cash value.
3. A state-wide property tax for schools on property other than owner-occupied residential property is limited to \$10.00 per \$1,000 true cash value.
4. A tax base of either 5 percent of the tax base of the taxing unit in effect, prior to the effective date of SM1 or 106 percent of that portion of the taxing unit's budgeted expenditures from local sources for transportation for the fiscal year in which SM1 takes effect is created. Districts may levy taxes within this tax base to pay for transportation, capital outlay, capital construction and equipment.
5. School districts may levy taxes for payment of bonded indebtedness or interest thereon, capital outlay, capital construction and equipment, and transportation of pupils.

#### **B. DISTRIBUTION OF REVENUE**

The following material outlines the essential elements of the provisions of HB 2004 relating to the distribution of money by the State of Oregon to local school districts offering education at Grade 12 or below:

1. A Basic Education Fund is established in the General Fund of the State Treasury. The Superintendent of Public Instruction shall allocate moneys in this fund as follows:

(a) for transportation grants equal to 55 percent of the district's approved transportation costs;

(b) for basic grants computed in accordance with a statutory formula. The basic grant will finance adjusted district expenditures up to the basic program level which is set at \$900 per full time equivalent student, weighted<sup>3</sup> (FTEw) during the 1973/75 biennium;<sup>4</sup>

(c) for equalization grants computed in accordance with a statutory formula. The equalization grant will provide additional support to school districts whose adjusted district expenditures exceed the basic program level. This grant is limited to \$300 during 1973/1974 and \$350 during 1974/1975.<sup>5</sup> Each district receiving an equalization grant will be required to levy part of its optional \$2.00 per \$1,000 local levy as a condition of receiving the equalization grant.

2. An Education Contingency Account is established in the General Fund of the State Treasury. Moneys in this account may be used for increasing the basic grants of those districts whose adjusted district expenditures are below the basic program level (\$900 per FTEw). The Emergency Board must approve the purpose (which is set forth in HB 2004) for which the contingency grants are to be used.

<sup>3</sup>"Full-time equivalent" (FTE) means the aggregate days membership (kindergarten pupils are counted for the portion of the day the pupil was in attendance) of a school during a certain period, divided by the number of days the school was actually in session during the same period. "Full-time equivalent, weighted" (FTEw) means the sum of the total resident pupils in full-time equivalent in grades 9 through 12 in the district multiplied by 1.3 plus the total of the resident pupils in full-time equivalent in the district in kindergarten through grade eight.

<sup>4</sup>HB 2004 apparently does not fix the amounts of either the basic grant or the maximum equalization grant for periods after the 1973/75 biennium.

<sup>5</sup>Ibid.

#### IV. ARGUMENTS OF EFFECT ON INDIVIDUAL TAXPAYERS

The following arguments were presented to your Committee in favor of House Bill 2004 in relation to the changes in Oregon's tax system for individual taxpayers.

1. HB 2004 will reduce property taxes.
2. HB 2004 will result in a net tax savings to approximately 80 percent of Oregonians.
3. Renters will achieve relief from the indirect property taxes which they pay by being granted a credit against their Oregon income tax liability for a portion of the rent which they pay.
4. HB 2004 is based primarily upon the "ability to pay" principle and is, therefore, more equitable than our current taxation system for financing the operation of public schools.
5. SM1 contains a constitutional limitation on the power to levy *ad valorem* taxes.
6. HB 2004 does not shift taxes from the business community onto individual taxpayers.

The following arguments were presented to your Committee against HB 2004 in relation to the changes in Oregon's tax system for individual taxpayers.

1. A thorough study has not been made on HB 2004 to ascertain with any certainty its effects on business and individual taxpayers, the adequacy of revenue produced and the impact on the general economy of Oregon.
2. The claim that approximately 80 percent of Oregon Taxpayers will pay less total taxes is questionable. The 20 percent of individuals supposedly paying more taxes cannot provide the necessary revenue to pay for the expenditures which this bill will bring about.
3. There is enough surplus revenue currently in the general fund to provide substantial property tax relief by raising the state's share of support of the operating cost of Oregon schools.
4. HB 2004 provides unequal property tax relief. The amount of relief received depends upon the taxing district in which one's home is located. Unequal relief is particularly unfair since all individuals will pay the same increased income tax rates.
5. The inequity is particularly great to residents of Portland. The net effect of this bill will be that Portland taxpayers will be supporting schools in the rest of the state, while not receiving the same degree of property tax relief which would be received by many other Oregonians.
6. The \$2,000 limitation on deduction of federal income tax from Oregon income means that many Oregonians will be paying state income tax on money paid to the federal government in federal income taxes. This constitutes a tax on a tax and is thus unfair.
7. The bill, while characterized by some as a tax reform bill, does not reform many aspects of current income and property tax laws claimed by some of the critics of Oregon's current tax laws to be "loopholes."
8. Even assuming that approximately 80 percent of Oregonians will pay less total taxes in the 1973/75 biennium, a portion of this saving is made possible by the use of general fund monies which are taxes already paid by Oregonians.
9. The net business profits tax provided by HB 2004 imposes a tax on sole proprietors and partners in partnerships with net business profits of over \$15,000 while not imposing a comparable tax on the income of persons who earn comparable sums and are employed by corporations.

## V. DISCUSSION OF OREGON'S CURRENT PROPERTY TAX SYSTEM

The members of your Committee are not all in agreement as to the desirability of Oregon's property tax system for raising revenue to pay for the operating expenses of public schools. Some members of the Committee feel that Oregon's current property taxes should be retained with an increased program of relief for low income homeowners and a system of relief for low income renters. However, because of time limitations, your Committee has not been able to exhaustively analyze alternative proposals to see if some such system might be superior to HB 2004. Your Committee has proceeded upon the assumption that the majority of Oregonians want property tax relief. Therefore, each voter will need to determine whether the system provided by HB 2004 is a more appropriate way to raise revenue for operating public schools than is Oregon's current property tax system.

The various pro and con arguments presented to your Committee regarding use of local real property taxes to raise revenue for the operation of public schools are presented below so that each individual may form his own opinion.

Arguments presented to your Committee in favor of the use of Oregon's current property tax system to support the operational costs of public schools are:

1. Property taxes are a stable and predictable source of money and are less subject to fluctuations in the economy than income taxes.
2. Property is one measure of a person's wealth and one measure of that person's total ability to pay.
3. Property taxes cause some individuals to pay some taxes who are able to shield their income from income tax.
4. Property taxes insure that local control of the operation of the schools is retained by local individuals, since the power to control is closely related to the source of revenue.
5. By financing school operations through local property taxes, individual districts can determine the amount which they wish to spend for such operations.
6. Lower tax rates on non-residential property will increase the likelihood of land speculation.

Arguments presented to your Committee in opposition to the use of Oregon's current property tax system to support the operational cost of public schools are:

1. Property taxes are inequitable to individuals with fixed incomes, particularly the elderly, who own their own homes and yet do not have the income to pay the taxes on them.<sup>6</sup>
2. Property taxes are discriminatory in that the rate of tax which one pays is largely controlled by the value of other taxable property in the taxing district in which one is located.
3. Property taxes are regressive in that a greater percentage of the income of low-income homeowners goes for property taxes than for high-income homeowners.
4. Property taxes are a potential deterrent to an individual improving his home, due to the fear of higher property taxes.
5. Property taxes are not a satisfactory method for financing the operation of local schools in that many districts do not have adequate tax bases and have to seek voter approval for operating levies every year.
6. Property taxes do not provide an equal educational opportunity, in terms of the amount of money available for an educational program for each child, and this is both unfair and may be unconstitutional.<sup>7</sup>
7. Oregon's schools are now bearing the brunt of taxpayer resentment over high total taxes.
8. Many "loopholes" exist in the current property tax laws.
9. Property is poorly correlated to wealth or income and therefore poorly related to "ability to pay."

<sup>6</sup>Some property tax relief to low-income homeowners is available under existing law.

<sup>7</sup>Even though the United States Supreme Court held in *San Antonio Independent School District v. Rodriguez* that local property taxes for the support of public education do not violate the federal constitution, such a taxation system for school support could violate Oregon's constitution.

## VI. GENERAL DISCUSSION

House Bill 2004 appears to your Committee to have two principal objectives: to establish a more stable basis for the financing of Oregon's public schools, and to reduce property taxes on residential property.

Your Committee believes that HB 2004 is not really a tax reform bill. Rather, it creates a shift in reliance from the property tax to a tax based upon income or profits. It does not attempt to close the so-called "loopholes" which critics of Oregon's tax laws claim exist. A number of individual Oregon taxpayers will pay less taxes if SMI passes, and some will pay much more. Each taxpayer will have to make his own computations.<sup>8</sup>

Under Oregon's current system of financing the operation of public schools, many school districts must go to the voters each year to seek approval of operating levies because they do not have a sufficiently large tax base to produce adequate operating revenues,<sup>9</sup> and some school districts are without any tax base for operating revenues. Your Committee believes that avoiding these annual elections is a desirable objective which HB 2004 would accomplish.

However, some of your Committee are concerned whether the taxation system provided by HB 2004 will produce adequate revenue to finance the operation of Oregon's schools and provide other necessary state services in the future. Proponents of the bill, citing Department of Revenue projections, seem quite certain that adequate revenue will be available in the next two bienniums. Persons speaking to your Committee indicated that, beyond that time, no one could be really certain of what level of revenues would be generated.

While this Committee can find no evidence that this proposal will shift taxes between the business sector and the individual sector, there could be substantial shifts within each sector. Based on the statistics available to this Committee, it has concluded that the impact of these taxes will vary on a particular business, depending on the composition of its assets, location of its property and its ability to pass this tax on to its customers.

The revenue from income tax and the net business profits tax provided by HB 2004 appear to be somewhat affected by changes in the economy more than is Oregon's current property tax. Oregon's economy appears to be sensitive to business cycles because of its dependence upon the timber industry. Because of this, there is concern among some of the Committee whether adequate revenues will be generated during times when Oregon's economy is in a slump.

Conversely, proponents of HB 2004 reply that many districts have a wholly inadequate tax base and must get annual voter approval for operating levies. During an economic downtrend, these districts tend to have great difficulty passing operating levies and obtaining operating funds under Oregon's current taxing system.

Proponents of HB 2004 have stressed its tax-saving feature for a majority of Oregonians. Your Committee was unable independently to verify that 80 percent of Oregonians will pay less taxes if HB 2004 becomes law. The inclusion of federal revenue sharing funds in the monies that HB 2004 would distribute tends to increase the credibility of the claim that 80 percent of Oregon taxpayers will be saving money. Your Committee suspects that the savings for many taxpayers will be relatively small. Proponents of HB 2004 claim that generally anyone earning less than \$16,000 a year will pay less taxes.

Opponents of HB 2004 claim that the tax saving is due to revenues currently available. Your Committee was unable to verify the accuracy of this claim.

Your Committee believes that the inclusion of the constitutional limitation is of little consequence in terms of future changes in Oregon's tax laws because of the historical use of the referendum by the voters of Oregon in response to any tax measure. However the Committee recognizes the political reality that any tax change plan which does not include constitutional limitations on the property tax would have little chance of success at the polls.

<sup>8</sup>The Department of Revenue has available a pamphlet which may be used to compute an approximation of the tax effects of HB 2004. A similar worksheet for computation appears in the Voters Pamphlet.

<sup>9</sup>The Oregon Constitution, Art. XI, Section 11 limits school districts to levying taxes within their tax bases, unless they obtain voter approval.

Your Committee believes that the renter's relief provision of HB 2004 is appropriate and approves of the continuation of the property tax relief program for low-income property owners and the additional low-income renter's relief program provided in HB 2004.

The effect of limiting the federal income tax deduction on the Oregon income tax return to \$2,000 will increase the progressivity of the Oregon income tax.

Any increase in total Oregon taxes paid will generally decrease the amount of federal income tax paid. Increased deductions for state income tax will be partially offset by decreased deductions for property taxes. To the extent that there is a total increase, the result will be a form of informal revenue-sharing, with Oregon getting more of the individual's tax dollar and the federal government getting somewhat less.

The amount of property tax relief to be received under HB 2004 will vary depending upon the tax district in which one's home is located. However, all Oregonians will be paying the same increased income tax rate. The relative amount of property tax relief to be obtained by homeowners in Portland is less than in most other areas of Oregon. This is because the relief granted by HB 2004 relates only to taxes for the operating costs of schools. City and county levies will actually be increased by HB 2004 because of the accelerated elimination of inventory taxes.

It should be noted that the proposed property tax savings for non-residential property in Portland are small and, assuming subsequent increases in the state-wide property tax to the \$10.00 constitutional limitation, such savings would appear to become virtually nonexistent in a few years.

HB 2004 mitigates the problem of the municipal overburden of services (the cost provided by Portland and Multnomah County which benefits taxpayers living in other areas of the state). A ten percent credit against Oregon income tax liability for property taxes paid is provided in HB 2004. While this credit applies to all homeowners in Oregon, those in Portland and certain other districts tend to benefit more since they will be paying higher local property taxes. It does not appear that this credit makes any material shift of Portland's municipal overburden costs to other areas of the state, but your Committee feels that HB 2004 is generally an education bill and that the municipal overburden problem is something with which Portland will have to attempt to deal.

Your Committee is of the view that the net business profits tax of HB 2004 creates some serious inequities among individual taxpayers. An individual attorney, architect, engineer or other self-employed person, or partner in a partnership must pay a tax. Individuals performing identical functions but who are employed by corporations have no such tax liability. No justification for this distinction among such similarly situated individuals can be seen.

After reviewing the provision for distribution to the schools, your Committee has concluded that this legislation, if adopted, would contribute stability to the revenue sources for the school districts so long as sufficient money was generated by the State of Oregon under the provision of the tax law which is also part of this legislation.

The Committee concluded that the formulae for distribution set forth will result in a tendency for districts currently spending less than \$900 per FTEw to increase their programs so that their expenditures will equal \$900 per FTEw and districts currently spending over \$1250 per FTEw will be forced to stay at the current level.

Of special interest to City Club members living in Portland are those provisions of HB 2004 designed to assist large metropolitan areas with declining enrollment and established kindergarten programs. The law limits the reduction in distribution under the formula which would otherwise result from a decline in enrollment to a one percent reduction for each five percent decrease in enrollment. Kindergartens are fully financed for those districts which currently have kindergarten programs, but only 50 percent of such programs are financed in the 1973/1975 biennium for districts establishing new kindergarten programs. SM1 provides for additional local levies for capital outlay, transportation, and bonded indebtedness, or interest thereon. This "mini-tax base" will be beneficial to Portland because it has a relatively large tax base.

Some of the Committee members believe the inclusion of state funding for kindergartens recognizes the importance of early childhood education.

The question of the measure's effect on local control of schools has been raised. A provision of the bill purports to maintain local control in certain matters. The efficacy of this section is difficult to judge. Your Committee believes that the passage of HB 2004 will tend to increase the power of the State Board of Education and of the Superintendent of Public Instruction. Whether this increased power can or will be used to influence local control of the operation of the schools is impossible to say.

Certain aspects of local control will be removed in that the school district will no longer be able to decide to increase taxes in order to increase school spending for operational costs beyond the \$2.00 per \$1,000 levy allowed by SM1. How much a school district may spend for operational costs beyond the \$2.00 per \$1,000 levy will be decided at the state level.

### VII. MAJORITY CONCLUSIONS

The Majority of your Committee concludes that Oregonians want responsible property tax relief, and that HB 2004 will give it to them. The Majority of your Committee concludes that this measure creates a more stable base for school finance, and it provides specific benefits to Portland's School District No. 1.

### VIII. MAJORITY RECOMMENDATION

The Majority of your Committee, therefore, recommends that the City Club of Portland go on record in favor of a "Yes" vote on State Measure No. 1 in the May 1, 1973 special election.

Respectfully submitted,

William C. Carpenter

Donald Flora

Fergus O'Scannlain

Raymond A. Thompson

Paul Ventura

Donald W. Williams

Thomas L. Gallagher, Jr., *Chairman*

**FOR THE MAJORITY**

## IX. MINORITY CONCLUSIONS

A Minority of your Committee concludes that, while HB 2004 does provide "property tax relief", in that it removes the majority of the burden of school support from owner-occupied residential property, there are very significant uncertainties and unanswered questions contained in the bill, all of which have been commented upon in the preceding discussion section of this report.

The Minority feels that sufficient efforts have not been expended to truly ascertain the full impact upon Oregon's overall economy of this proposed major revision in the tax system. The Minority has not been convinced by the evidence presented to the Committee that this proposal will generate sufficient revenue in future periods to adequately fund an appropriate level of school operations as well as support other vital state services.

It is readily admitted that significant inequities exist in both the present income and property tax system and the present school finance formula in Oregon. However, the Minority sees significant inequities in both of these aspects of the proposed plan. It does not believe that it is appropriate to attempt to substitute one set of inequities for another set which may be equally distasteful.

While the Minority agreed with various individual aspects of the plan, as mentioned throughout the discussion section of this report, it feels that the uncertainties and inequities involved outweigh the positive aspects of State Measure No. 1 and the related House Bill 2004.

## X. MINORITY RECOMMENDATION

The Minority, therefore, recommends that The City Club of Portland go on record in favor of a "No" vote on State Measure No. 1 in the May 1, 1973 special election.

Respectfully submitted,

Thomas Hamann

Jerrold J. Isom

Roman J. Okoneski, Jr.

FOR THE MINORITY

Approved by the Research Board April 12, 1973 for transmittal to the Board of Governors.  
Received by the Board of Governors April 13, 1973 and ordered printed and distributed to the membership for presentation, discussion and action on April 20, 1973.

### APPENDIX A

The Committee formally interviewed the following persons:

George Annala, Manager, Oregon Tax Research.  
 John Walker, Professor of Economics (specializing in public finance), Portland State University.  
 Marion Thomas, Extension Economist, Cooperative Extension Service, Oregon State University.  
 Jean Wyckoff, Extension Economic Coordinator, Cooperative Extension Service, Oregon State University.  
 Louis R. Norris, Director, Oregon Retail Council, Associated Oregon Industries.  
 John D. Danielson, Director, Governmental Relations, Oregon Education Association.  
 William Bade, Fiscal Officer, School District No. 1, Portland.  
 Vernon Cook, Oregon Legislative Assembly.  
 Howard Cherry, M.D., Representative, Oregon Legislative Assembly; Chairman, House Revenue Committee.  
 Mrs. Bernard Silverman, Chairperson, Finance Committee, "Schools for the City."  
 Robert Oleson, Administrative Assistant to Dr. Dale Parnell, Superintendent of Public Instruction, State Board of Education.  
 Neil Goldschmidt, Mayor, City of Portland.  
 Richard Munn, Research Section, Department of Revenue, State of Oregon.

### APPENDIX B

One or more Committee members were present at the following meetings and hearings:

John R. Hay, Chairman, Legislative Interim Committee on School Finance/Property Tax Relief, on "Oregon's Tax Hassle" at February 23, 1973 meeting of The City Club of Portland.  
 Educational Briefing for State Senators on McCall Tax Plan, March 20, 1973, Salem.  
 Senate Revenue Committee meetings, March 14 and 17, 1973, Salem.  
 House Revenue Committee meetings, February 9 and 12, 1973, Salem.  
 Joint Caucus of House of Representatives, March 20, 1973, Salem.  
 Senate Session during floor vote on McCall Tax Plan, March 21, 1973, Salem.  
 Public Hearing on McCall's Tax Proposal, February 6, 1973, Salem.  
 Public Hearing on McCall's Tax Proposal, March 8, 1973, Multnomah County Courthouse, Portland.

### APPENDIX C

The Committee reviewed the following materials:

Magazine articles:

"The Coming Change in the Property Tax," *Business Week*, February 12, 1972, p. 50-5.  
 R. Cassidy, "The Trouble with Property Taxes," *New Republic*, 164: 15-60, May 15, 1971.

Report on Constitutional Amendment Changing Property Tax Limitation, The City Club of Portland, October 25, 1968, Vol. 49, No. 21.

Report of the Legislative Tax Interim Committee, December, 1972.

Report on Prohibits Property Tax for School Operation, The City Club of Portland, September 22, 1972, Vol. 53, No. 17.

"Municipal Overburden," KGW-TV Editorial, March 8, 1973.

Statistical Sheets, news bulletins, and statements from the following sources:

Associated Oregon Industries.  
 Oregon Education Association.  
 Schools for The City.  
 Cooperative Extension Service, Oregon State University.  
 Mayor's Office, City Hall, Portland.  
 Oregon State Department of Revenue.  
 Oregon Board of Education.  
 Oregon Tax Research.

Articles from the Following newspapers:

The *Oregonian*, Portland.  
 The *Oregon Journal*, Portland.  
 The *Enterprise Courier*, Oregon City.  
 The *Capital Journal*, Salem.  
 The *Oregon Statesman*, Salem.  
 The *Molalla Pioneer*, Molalla.