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CITY CLUB REPORTS ON

SPECIAL ELECTION MEASURES

BILL TAXING RETAIL SALES

Note: Committee chairmen will make five-minute oral reports Friday. Members intending to participate in the discussion that will follow each oral presentation are urged to read the reports carefully and to have the points they wish to make well in mind. Since it is desired that as many members as wish to speak have an opportunity to do so, it is requested that individuals present their arguments briefly.

CIGARETTE TAX BILL

ELECTED TO MEMBERSHIP
DR. S. E. BACKSTRAND, Dentist
Proposed by A. B. Harrison
DOYLE F. PEARSON, Partner, Rodgers and Pearson, Industrial Relations
Proposed by Douglas Lynch.

"To inform its members and the community in public matters and to arouse in them a realization of the obligations of citizenship."
SALES TAX BILL
Referred to the People by the Legislative Assembly

BILL TAXING RETAIL SALES FOR SCHOOL, WELFARE AND GOVERNMENTAL PURPOSES—
Purpose: Imposing a 3 per cent tax on gross receipts from all retail sales of tangible personal property for privilege of doing business, to provide funds for public assistance, property relief and support of state, counties, cities and school districts; exempting foods for human consumption, newspapers, religious literature, motor vehicle and aircraft fuels and certain retail sales; fixing penalties, and requiring state tax commission to administer law and distribute net proceeds in excess of $10,000, one-sixth to counties, one-sixth to cities, one-sixth to school districts, one-sixth to "state public assistance reserve account," and two-sixths to general fund for governmental purposes.

300 Yes. I vote for the proposed law.
301 No. I vote against the proposed law.

SALES TAX COMMITTEE REPORT
To the Board of Governors of the City Club:
In its study of Chapter 540 of the 1947 Oregon Laws, originally known as "Enrolled House Bill No. 460," your Sales Tax Committee has conducted one to three meetings each week for a period of five weeks, heard and interviewed many persons for and against this Bill, including representatives of Oregon Business & Tax Research, Inc., Oregon Sales Tax Committee, A. F. of L., Oregon State Grange, Oregon Anti-Sales Tax Committee and Mr. C. C. Chapman, examined the available publications and reports, including the Oregon Tax Study Commission's report, and the final report of Griffenhagen & Associates to the Portland Chamber of Commerce and the Official Voters' Pamphlet, and respectfully reports as follows:

THE BILL
The Sales Tax Act imposes a 3% tax upon gross receipts of sale of all tangible personal property made in Oregon, with certain exemptions, and a use tax upon such property purchased outside the State, likewise with certain exceptions:
The Sales Tax Exemptions are: (1) Personal property which is tax-exempt by or under the U. S. and Oregon Constitutions and the U. S. Laws; (2) personal property used under public works contracts executed before January 1, 1948; (3) Gasoline, already taxed by the State; (4) All foods to be consumed by humans off the premises where sold; (5) Casual or isolated sales of such personal property; (6) Newspaper sales of newspapers; (7) Religious literature.
The Use Tax Exemptions are: (1) Non-business use of personal property brought into the State by a non-resident before returning home; (2) Personal property purchased at other than retail; (3) Personal property upon which a sales tax of 3% or more has already been paid; (4) Out-of-state purchases totaling less than $20.00 per month; (5) Transportation property used in interstate or foreign commerce.

This Act proposes to raise money for the State General Fund, for public assistance, for property tax relief and for the support of the State, Counties, Cities and School Districts. Under its provisions, the initial $22,000,000 collected would be distributed one-third to the State General Fund for State expenses and to balance the budget, one-sixth to the State Welfare Fund, and the remaining one-half in equal shares to the cities, schools and counties to offset local property taxes. All monies derived over and above said $22,000,000 would be paid into a State property tax reserve account up to the sum of $12,000,000, and all surplus over and above said $12,000,000 would be distributed in the same manner as the first $22,000,000.

The only new expendable funds which the approval of the Sales Tax Act would yield to the State and its taxing subdivisions is the sum of $7,333,333, being one-third of the first $22,000,000 collected and expressly earmarked for the State General Fund. The one-sixth apportioned to the welfare fund would be a reserve to be used in case the liquor revenues fail, and the one-half apportioned to the cities, schools and counties would offset local property taxes in an identical amount.

The Legislature enacted a companion act to the Sales Tax Law to become effective in case the Sales Tax Law is rejected. By its provisions, State income tax revenues would be increased through the reduction of personal exemptions, and it also introduces more effective collection through the tax withholding from employees' wages and salaries. On the other hand, if the Sales Tax Act is approved, the companion bill provides that the exemptions will be higher, with a consequent decrease in Income Tax revenues.

Under this situation, the tax revenues obtained from the people will be practically the same, whether the Sales Tax Act is approved or not. The estimated yield in either case is approximately $33,000,000. The proponents of the Sales Tax point out, however, that the Income Tax Law limits the application of the revenues derived therefrom to offset property tax levies, and only if the Sales Tax is approved will the revenue available for general purposes be increased.
ANALYSIS AND ARGUMENT

The views of this committee may best be expressed by a consideration of the following questions. These questions are: (1) Is a sales tax a desirable source of revenue? (2) Is the proposed sales tax measure a satisfactory measure in and of itself? (3) Will the proposed sales tax measure meet the problem of stabilizing and simplifying the tax structure of Oregon? (4) Is there a need for additional revenue, and is the enactment of the proposed sales tax necessary therefor? (5) Is there a fiscal emergency confronting the people of the State of Oregon and, if so, must that emergency be met in the manner proposed? There are a number of collateral questions which may be considered, including the use of the sales tax as a revenue device in other states, as well as certain other questions directed at the scope and application of the proposed sales tax, the matter of interpretation, the mechanics of operation and administration, etc.

First: Is the sales tax a desirable source of revenue? It is submitted that it is not. It is virtually universally conceded by tax authorities and students of taxation that the sales tax is a regressive tax; that is, its incidence weighs disproportionately upon those least able to bear the burdens of taxation. That this is so was recognized by the proponents of the sales tax by the provision inserted in the Bill for the exemption of foods to be consumed by humans off the premises where sold. Based on this exemption it is attempted to be argued that the regressive features of the sales tax are thus eliminated, since the major portion of the income of the low income families is expended for food and for other items and services such as rent, medical care, etc., which are not subject to tax. It is further argued that persons with higher incomes will spend a much larger portion of their total income for items which are subject to the sales tax, so that in practice the sales tax will not be regressive, or at least will not be as regressive as its opponents would seek to assert. The very argument itself is an admission of the regressive nature of a sales tax. The second argument used by the advocates of the sales tax is that it is not burdensome, in that it is a pay-as-you-go tax, and at most amounts to a few cents at a time. However, if the purpose of the sales tax is to acquaint taxpayers with the fact that the support of government and governmental activities requires contribution by all of the members of a community, then to the extent that the payment of the tax becomes painless, to this extent this particular purpose of the sales tax fails of accomplishment. But it is not true that the sales tax is painless and is insignificant. Even though the amount of the tax paid in connection with any particular purchase may in and of itself not be great, except in the case of a motor vehicle, a piece of business or office equipment, farm implements, and other high cost items, nevertheless the constant impact of these small extractions would in the aggregate be an item of proportion to a person of low income. Furthermore, because of the fact that the tax will be imposed on items used by business men for the production of other income such as machinery, supplies, etc., by processors, tools and implements by craftsmen, equipment, materials— as well as feed, seed and fertilizer and similar items—by farmers, the prices upon which the sales tax will be paid will in many cases have themselves been increased by the prior imposition of the sales tax, so that the ultimate exaction paid by a consumer will be much greater than the 3 per cent which purports to measure the total sales tax paid.

Second: Is the proposed sales tax Bill a satisfactory Bill in and of itself? It would appear that this position cannot possibly be sustained. In the foregoing summarization of the provisions of the sales tax Bill it is shown that it (together with contingencies based on it) is compounded of a number of measures. Thus (1) it provides for a sales tax upon the purchase price of miscellaneous items; (2) it provides for a use tax upon items purchased out of the state; (3) it provides for a mandatory deduction or offset in the property taxes levied for county, city and school purposes; (4) it provides for the creation of a reserve to supplement revenues from the sale and consumption of liquor for support of the aged, blind and needy; (5) it provides funds to be added to the State General Fund; (6) it provides for an additional reserve to offset property taxes levied for state purposes in the event the property tax offset derived from the state income tax should at any time in the future prove insufficient; (7) it provides for an increase in exemptions for income tax purposes if the proposed bill is adopted and in the alternative, in the event the bill is rejected, for a decrease in income tax exemptions and for the inauguration of the withholding device on personal incomes; (8) it provides for the repeal—in the event it is enacted—of the proposed cigarette tax.

Not only is the bill an unsatisfactory measure because of the numerous doubts and uncertainties as to other legislation dependent upon the outcome at the polls of the sales tax bill, but it is objectionable from certain other points of view. It contains ambiguous and indefinite provisions which have already given rise to controversies as to interpretations. It would place virtually dictatorial powers of investigation and examination in the hands of the State Tax Commission and every bidder and employee thereof. Moreover, it has the extremely bad feature of tying in the position and interests

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1This would have particular application to returned GIs and their families striving to acquire and furnish homes and reestablish themselves in Oregon society.
of special groups with the outcome of particular tax measures. Thus there is an appeal to the aged, the blind and the needy in the proposed supplement to the funds raised for welfare purposes from the liquor traffic, where the amounts to be used for welfare purposes should be determined by actual need and not by the totally unrelated happenstance of the size of the community's demand for and ability to consume liquor at any particular time.

Third: Does it solve the problem of stabilizing and simplifying the tax structure of the State of Oregon? The mere posing of the question, the enumeration of the numerous changes which will result from the enactment of the sales tax, and the analysis of the recommendations of the Oregon State Tax Study Commission make it transparently clear that the enactment of the proposed sales tax bill will not stabilize and simplify the tax structure of the State of Oregon in the slightest degree, but on the contrary, will have the opposite effect. As already noted, numerous changes are contingent upon the enactment of the measure. Its continuation in effect will mean that at no time can there ever be any certainty as to the amount of the property taxes for school, city or county purposes which will be raised by actual assessments against property nor the amounts of particular reserve funds. The stabilization and simplification of the tax structure of the State of Oregon would seem to require the abolition of special taxes for special purposes and the inauguration of a system which will provide that all tax revenues—at least for State purposes—go into a common general fund to be used to meet the needs of particular governmental activities so that the amounts budgeted for particular activities will have relation to the needs thereof and not to the sums which from time to time might be raised through a particular tax or be available in particular reserves.

If it is desired to eliminate the property tax as a means of providing funds for State purposes and this is not only recommended by the State Tax Study Commission but is, in fact, a consequence of the property offset provision of the income tax law—then this could be done simply by legislation doing away with property taxes for State purposes. Moreover, such legislation would meet one of the chief arguments of the advocates of the sales tax bill that relief must be provided against the burden of property taxes in times of economic stress. Under the present scheme there have been no property taxes levied for State purposes during the past seven years, and the retention of the State property tax laws therefore, because of the 6 per cent limitation, serves merely to limit the amount raised by the State income tax law which may be diverted into the general funds of the State to meet the needs of State activities. If it is deemed that the retention of this limitation (which in the present set-up serves not as a limitation upon the amount raised by that tax but on the amount which may be expended) is necessary, then the proper means of accomplishing such results would be to provide for a maximum limitation upon the amount by which the State budget may be increased from one biennium to another.

Fourth: Is there a need for additional revenue, and is the enactment of the proposed sales tax necessary to provide such additional revenue? It seems clear that there is at present being produced from existing sources of revenue a sufficient amount of funds to meet all the needs of the State as budgeted for the current biennium. At the end of the last fiscal year there was, in addition to the basic reserve fund of $5,000,000, a surplus of $15,000,000 realized from State income taxes. The estimate for the next two fiscal years indicates that the surplus will be produced by the income tax will increase the surplus from some $15,000,000 to perhaps as much as $30,000,000 to $35,000,000 on June 30, 1949. In other words, in addition to producing the entire amount necessary to offset State property taxes in full and approximately $20,000,000 annually for school purposes, the Oregon State income tax is producing a surplus destined to aggregate a sum which may well occasion difficulty and embarrassment to the State officials. And it should be noted that the amount of the present surplus would itself have been more than twice its present amount had not State income tax rebates of approximately $21,000,000 been rebated upon the 1943 and 1944 tax payments, a rare fiscal phenomenon, probably induced by the bogy of the then approaching revenue surpluses.

Not only is the income tax producing an amount sufficient to meet all the needs of the State government, but there seems to be little question that the total amount which will be realized through income taxes, and through more efficient collection of income taxes resulting from the initiation of the withholding tax feature, will be as great if not greater than the amount which will be collected from reduced income taxes and for State purposes from the sales tax if that measure becomes law. Insofar as county, city and school funds are concerned, the sales tax will not produce any more funds than will be produced if the sales tax fails of enactment, and this is admitted by the proponents thereof. The sole effect of its enactment into law will mean that some $11,000,000 of the sums otherwise collected for county, city and school purposes, will come from the sales tax instead of, as at present, from property taxes. In other words, the compulsory tax offset feature of the proposed sales tax law requires a reduction in the amount raised for county, city and school purposes from property taxes exactly equal
to the amounts derived from the sales tax and will provide no additional funds.

**Fifth:** Is there a fiscal emergency requiring the enactment of the sales tax? Apparently, in view of the action of the legislature at its last session, unless the sales tax is enacted or unless the proposed special tax levy measure is adopted at the regular election to be held in November of 1948, or unless the legislature takes some other action at its next regular session in 1949, there is apt to be a deficit of not less than $3,500,000, and perhaps as much as $5,500,000 in the general fund of the State on June 30, 1949. If the sales tax measure is adopted, then it is anticipated that some $7,333,333, one-third of the first $22,000,000 collected by means of the sales tax, will go into the general fund of the State to meet such anticipated deficit. However, it should be noted that the deficit is not a real deficit but purely an artificial one, and resulting entirely from the previously noted paradox of scarcity amidst plenty because of the special tax for special purposes evil rampant throughout the entire tax system of the State of Oregon. That is, although there is a surplus of unusable funds (because earmarked for State property tax offsets) in one special account in the amount of $15,000,000 or more at present, and which may increase to $30,000,000 or more by June 30, 1949, there will be at the same time a deficit in another special account called the general funds account of from one-seventh to one-fourth of such surplus.

Nor was it necessary that this anomalous situation should develop, if it does develop. A simple expedient would have been to have adopted the recommendation of the State Tax Study Commission and of the specific recommendation of the Governor of the State of Oregon to “unfreeze” $7,000,000 of these surplus funds and place them in the general funds of the State, where they might have been used for the needs of various State activities. It is to be noted that if the sales tax is defeated and if the special levy which in that event would come before the voters of the State at the regular November, 1948, election is adopted, the only result would be, since such special levy would also be offset by income tax funds on hand, to accomplish indirectly and some eighteen or twenty months later what the State Tax Study Commission recommended and the Governor of the State requested the legislature to accomplish at the regular 1947 legislative session. But supposing that the sales tax bill is not adopted by the voters and that the special property tax levy to be voted upon at the regular November, 1948, election fails, then will the State be faced with a fiscal emergency which it cannot meet? The answer is no, and the 1949 legislature still has the opportunity of “unfreezing” a portion of the even greater income tax surpluses which will be on hand at that time.

In addition to the foregoing, there are numerous minor objections which might be interposed to the sales tax measure, some being the indefiniteness and ambiguity of various provisions thereof which have already led to conflicts and uncertainties, the most celebrated being the application of the tax to purchases of seed, feed and fertilizer used by farmers, and the question of what constitutes a retail sale. Nor are there any standards set up by which the State Tax Commission in administering the proposed act is to be guided in computing the amount of the tax levied. Further objection administratively is the burden it will place upon retail merchants of collecting the vast sums of money which will be produced by the sales tax and of segregating sales subject to tax from those not subject to tax and maintaining records and submitting reports to the State.

Perhaps, however, the most damming indictment of the proposed sales tax measure is the complete and utter disregard of the legislature of the report of the State Tax Study Commission, consisting of eight State officials, including the presiding officer of each house of the legislature and the chairman of each house committee dealing with taxes, the State Budget Director and three members of the State Tax Commission and five members appointed by the Governor. The studies made by the Commission extended over a period of eighteen months, during which time it held meetings, called on, interviewed and contacted economists, tax experts and other savants of note, and upon the basis thereof made an extensive report to the 44th Oregon General Assembly in December, 1946, incorporating in said report its conclusions and recommendations. In that report the State Tax Commission made no recommendation for the adoption of a sales tax, although it proposed consumption taxes on liquor sales and pari-mutual betting, but on the contrary proposed discontinuing the property tax as a means of providing revenue for State purposes, recommended that the funds necessary thereof be obtained through income taxes and further recommended that the personal exemptions be reduced to the amounts to which they will be reduced if the sales tax measure fails of adoption, and made numerous other recommendations which would have had the effect both of stabilizing the revenues not only of the State government but also of the subordinate governmental agencies of the State and of simplifying the entire tax structure.**

**For City Club members, the ironic fate of the Tax Study Commission’s report should have a special significance. It was the result of research into the difficult problems of tax revenue carrying on over a long period. Members of the Commission were drawn from the fields of agriculture, labor, management, education and the state government. Their efforts were directed toward arriving at intelligent conclusions, based upon facts, which would assist the legislators in bringing some order
into Oregon's tax system. This Commission was roughly comparable to a City Club research committee. It presented its conclusions in ample time to be of assistance—but the report was in effect disregarded. Our Committee feels that we have here a clear and interesting case, among numerous similar incidents, where careful research was ignored by practical politicians. To uphold the value of research, as our social and economic problems grow more complex, is one of the principles of the City Club. This City Club Committee, even if it did not agree with the Tax Study Commission's findings, which, however, it does, would feel it only consistent to criticize the State Legislature's disregard of a research project organized for the general welfare.

Moreover, the firm of Griffenlag & Associates, the leading firm of consultants on matters of public finances and taxation in the country, in a report prepared for the Portland Chamber of Commerce, itself a proponent of the sales tax measure, expressly recommended against the adoption of the sales tax by the State of Oregon and its summary of conclusions and recommendations included the following:

"That it would be better for Oregon to provide for more revenue from income taxes, rather than less, to the relief of property and business from other taxes, and as a means of heading off pressure for sales taxes. This might be accomplished by lowering the exemptions still further. This would broaden the income tax base and at the same time tend to stabilize it against such fluctuations as occur between boom times and depressions."

CONCLUSIONS AND RECOMMENDATION:

In view of the foregoing, it is concluded that:

1. Under the present tax structure and in the present fiscal situation, a sales tax is neither a desirable nor necessary source of revenue for the State of Oregon.

2. The proposed sales tax act is not a satisfactory measure because it is indefinite, ambiguous and complex, and it would be difficult to administer.

3. The proposed sales Tax act will not meet the problem of stabilizing and simplifying Oregon's tax structure.

4. There is no fiscal emergency confronting the people of the State of Oregon of such a nature as to require the adoption of the proposed sales tax act.

Accordingly, the committee recommends to the City Club that it go on record as not favoring the adoption of the Sales Tax Bill.

Respectfully submitted,

EUGENE FARLEY,
WALTER L. GORDON,
GILBERT SUSSMAN,
ARTHUR M. WEAVER,
JOSEPH J. LABADIE, Chairman.

Approved September 16, 1947, for transmission to the Board of Governors by Charles E. Wright, Chairman of Section on Taxation and Public Finance.

Accepted September 29, 1947, by the Board of Governors and ordered printed and submitted to the membership of the City Club for consideration and action.

CIGARETTE TAX BILL

PURPOSE: To levy tax of one-tenth of one cent on each cigarette for the privilege of selling, using, consuming, handling or distributing the same, to be effective until June 30, 1949, or until a general sales tax becomes effective in Oregon, if such should occur sooner; to require dealers to purchase tax stamps from state tax commission and to affix same to smallest container of taxed cigarettes; to provide regulations for administration and enforcement of act, and to provide penalties for violation thereof; all revenues collected in excess of a $10,000 administration fund to be available for general governmental purposes.

302 Yes I vote for the proposed law.
303 No I vote against the proposed law.

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

Your committee, appointed for the purpose of studying the above-described bill, has completed its work, and submits the following report.

House Bill No. 436, Chapter 538, Oregon Laws of 1947, was enacted by our Forty-fourth Legislative Assembly, and would have been effective as of July 5 of this year if it had not been for a referendum petition filed with the Secretary of State, which it is understood was initiated by certain tobacco distributors.

If approved by the people the tax under this bill will be effective until June 30, 1949, "or until any law imposing a general sales tax becomes effective, if such should occur sooner." It will require that the requisite number of tax stamps be affixed to each package of cigarettes for the privilege of selling, using, consuming, handling or distributing such cigarettes in this State. The practical effect will be that the wholesale or retail distributors who import cigarettes into this State will be required to open each carton of cigarettes and affix tax stamps of 2c on each package of 20 cigarettes. For this work the State is to allow the distributor 3% of the value of the stamps thus affixed.

The taxes collected under this act are first to be applied on the expense of administering the act, and the remainder, in excess of a reserve fund of $10,000.00, is to be transferred on June 30 of each year to the general fund of the State for general governmental purposes.

In studying this bill your committee has found that 38 other states have imposed such taxes on cigarettes, this being an increase of six states during the past two years. In ten of these states the tax is at the rate of 2c per package of 20, the rate provided for in the Oregon act. In 27 of the states the tax is at the rate of 3c per package of 20, or higher. Only in West Virginia, a new tobacco tax state, is the rate lower, the tax there being set at 1c per package of 20.

Of the surrounding states, Washington levies a cigarette tax of 2c per package;
Idaho, 3c per package, and Nevada, 2c per package. Only California is in the list of 10 states, including Oregon, which have not adopted a special cigarette tax.

In the State of Washington the tax produced revenue of $3,300,000 in 1944, $3,400,000 in 1945, and $4,600,000 in 1946.* On the basis of a July, 1946, estimate of population in Oregon (1,452,000), as compared to Washington (2,254,000), and assuming a continuation of the 1946 business volume, the tax in Oregon should produce a gross revenue of approximately $2,900,000, although it has been generally estimated at around $2,250,000.

The arguments advanced in favor of the proposed tax are as follows:

1. Cigarettes are not an actual necessity, and thus a tax levied thereon can be classed as a luxury tax which one may avoid if he finds it to be onerous.

2. It represents a dependable source of revenue for the State, not subject to the extreme fluctuations of general economic conditions, and may be collected without disproportionate effort or expense.

3. The rate of tax is moderate in comparison with similar levies in other states, and would not be burdensome on cigarette users.

4. Such a tax is now being levied by 38 other states, and the number is growing constantly, indicating the usefulness and desirability of such a measure.

5. A part of the tax would be collected from visitors and transient workers, who now pay little or nothing towards the cost of our State government.

6. If the proposed sales tax is defeated, the revenue that could be raised by this cigarette tax would be urgently needed by the State to apply on the presently estimated deficit of approximately $5,500,000 in the current biennium. On the other hand, if the sales tax is adopted, the cigarette tax, even if approved by the voters, will be eliminated.

The arguments advanced in opposition to the proposed tax are as follows:

1. The cigarette, if a luxury at all, is a poor man’s luxury, and thus a tax thereon would be borne in considerable part by those least able to pay.

2. It is a discriminatory tax, singling out cigarettes from a long list of products that could more accurately be classed as luxury items, such as furs and jewelry.

3. Cigarettes now carry a Federal tax of 7c on each package of 20 cigarettes, so that the consumers already pay a substantial amount toward the cost of government.

4. The tax is a temporary and makeshift arrangement, rather than a necessary part of a comprehensive and well coordinated tax system.

5. The compensation allowed the distributors for affixing the tax stamps is insufficient to cover the cost of this work, and as they are already selling cigarettes on a very narrow margin of profit, and the competitive situation would make it difficult to pass the cost on to the consumer, this added expense would represent an unjustifiable burden.

6. There is no need for the revenue, as there is a substantial amount of income tax funds on hand over and above the current need for real estate tax offset, and although now restricted to use for such offset purposes, a sufficient amount could be appropriated, either by referendum or legislative action, to cover any deficit in the State’s general fund.

Because of the referendum petition being filed in July, and your committee being formed in the latter part of August, it has not been possible to make a profound study of all the arguments for and against the proposed bill. However, all members of the committee have joined in the consideration of these arguments, the interviewing of informed parties, and the examination of available material pertinent to the proposed tax. It recognizes as sound some of the objections listed above. It dislikes the proposition that one product and its users should be singled out for further contributions to governmental expense for no other reason than the fact that such a product is so packaged and sold as to make it convenient for a tax to be levied. It believes that the expense of stamping the individual packages of cigarettes, and carrying the necessary inventory of stamps, will exceed the compensation allowed by the law for this work. It would much prefer to see a more complete job done on the revision, broadening and simplification of Oregon’s tax system, rather than accept what seems to be some temporary repair work.

On the other hand, your committee is aware of the practical impossibility of levying taxes in such a way that every citizen would pay no more and no less than his or her fair share of the cost of operating our governmental departments. It believes that the tobacco distributors will be able to pass along to the consumer any excess of the tax affixing expense over the compensation allowed by the proposed act, and that such an excess, even when added to the proposed tax, will not unduly burden the consumer. And it is convinced that because of the unpalatable nature of all forms of taxation, and the conflict of interests that would be involved in a complete tax remodeling job, it would be

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State levy on real estate, if a deficit looms for the fiscal year ending June 30, 1949, which would be charged against any income tax surplus. But your committee did not concern itself with conjectures on whether the legislature was wisely advised in failing to appropriate income tax monies, or whether Oregon voters would act favorably on the $8,000,000 additional levy. It seemed more appropriate to take into consideration only the fiscal situation as it presently exists, or as it may develop without any further action on the part of the legislature or the voters.

It is the recommendation of your committee that the City Club of Portland go on record as approving the proposed Cigarette Tax Bill.

W. H. WOODS,
CAREY MARTIN,
ALFRED G. HATCH,
WALTER B. MOORE,
R. A. WELCH, Chairman.

Approved September 16, 1947, for transmission to the Board of Governors by J. C. Plankinton, Chairman of Section on Legislation and Elections.

Accepted September 20, 1947, by the Board of Governors and ordered printed and submitted to the membership of the City Club for consideration and action.

PROPOSED FOR MEMBERSHIP AND APPROVED BY THE BOARD OF GOVERNORS

If no objections are received by the Executive Secretary prior to October 10, 1947, the following applicant will be elected:

ROBERT A. ELLIOTT, Salesman,
Connecticut Mutual Life Insurance Co.
Proposed by Hampton Allen.

PROPERTY TAX BAN GOES TO VOTERS

A ban on property taxes for government purposes may go into effect in Texas in 1951 if the State’s voters approve an amendment to the State constitution recently proposed by the legislature. The National Association of Assessing Officers reports that the measure will be voted on in the November, 1948, elections. The legislative proposal includes a provision for a $3,000 homestead exemption.

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The regular FRIDAY LUNCHEON MEETINGS are held in the Crystal Room of the Benson Hotel.