From: salem_update-bounces@lists.oregonstate.edu on behalf of Mills, Jock
To: CAS DeanStaff; CAS Unit Leaders; Salem Update Listserv
Subject: [Salem Update] Governor signs tax measures,petitioners file referenda
Date: Tuesday, July 21, 2009 2:12:43 PM
Attachments: ATT969775.txt

Below is a press release from Governor Kulongoski issued yesterday announcing that he has signed the two bills passed by the legislature that increase Oregon corporate and income taxes.

And like clock work, today the Secretary of State received two citizen petitions (#301 and #302) seeking to refer the measures to Oregon voters. The Secretary of State has two days to review and verify the petitions. Once approved, the petitioners must collect 55,179 signatures by Friday, September 25th in order to place the two referenda on the ballot for a special election scheduled for Tuesday, January 26, 2010.

Most political pundits predict the petitioners will be successful in obtaining the necessary signatures to refer the measures. And many also believe voters will overturn the legislature and reject the tax increases. If so, with a quarter of the 2009-11 biennium already elapsed, the budget will be out of balance by approximately $733 million. This number could increase if subsequent quarterly revenue forecasts show that the state is not collecting revenues at the level predicted in the May forecast used to establish the state's two-year budget.

In any event, legislators are scheduled to convene in a special session in February 2010 to address the possible budget shortfall. At that time they could potentially face difficult decisions in distributing at least $733 million in budget cuts to state-funded activities, including higher education.

NEWS RELEASE
FOR IMMEDIATE RELEASE
July 20, 2009
Governor Kulongoski Signs Bills to Institute More Fair Tax System
Governor also signs bill to create dedicated funding source for state rainy day fund

(Salem) – Today Governor Ted Kulongoski signed House Bills 2649 and 3405 that establish modest increases to corporations and Oregon's wealthiest individuals to both create a more fair tax structure and greater stability for programs such as education, health care and public safety.

The Governor also signed House Bill 2073 into law, establishing the first permanent funding source for the Oregon Rainy Day Fund.

"Because of the national recession, Oregon is facing an economic crisis that is threatening education, public safety and health care – all critical services that Oregonians rely upon every day," Governor Ted Kulongoski said. "These modest and targeted tax increases are a major step toward a more fair tax system for middle-class and working families in Oregon and will

help meet the needs of families in crisis, stabilize local communities and preserve jobs."

For the first time since the 1930s, House Bill 3405 increases the corporate minimum from $10 to $150 for corporations with gross sales in Oregon under $500,000. About two-thirds of Oregon corporations currently pay the $10 minimum tax.

About one-third of corporations pay taxes based on a net income tax rate of 6.6%. For these corporations, the tax rate will increase temporarily to 7.9% for net incomes over $250,000 starting in tax year 2009. This rate will last for two years.

For tax years 2011 and 2012, the rate will decrease to 7.6% and then return to 6.6% for most corporations. However, for corporations earning a net income of more than $10 million year, the tax rate will remain 7.6%.

Related to the corporate taxes, House Bill 2073 establishes the first permanent funding source for the Oregon Rainy Day Fund by directing revenue collected from corporate income and excise tax rates above 6.6% to the fund beginning in 2013.

"One of the most important actions taken during the 2007 legislative session was the adoption of the Oregon Rainy Day Fund, which I proposed in my budget to create the state's first general purpose savings account," said Governor Kulongoski. "This session, the legislature took the next step by establishing a permanent dedicated funding source for the rainy day fund, which is essential to creating greater fiscal stability so our schools and other services won't have to face the same boom and bust cycle with each future economic downturn."

House Bill 2649 temporarily increases for three years the personal income tax rates on Oregon's wealthiest individuals and joint income filers starting with the 2009 tax year. The current tax rate of 9% increases to 10.8% for individuals earning more than $125,000 and for joint filers earning from $250,000 to $500,000. The rate is 11% on income over $500,000.

In tax year 2012, the rate decreases to 9.9% for individuals with income over $125,000 and for joint filers with income over $250,000.

"I know that families across the state are struggling during this time of economic uncertainty – and under these measures, middle-class families will not be paying a single penny more in taxes," said Governor Kulongoski. "We are asking corporations and the wealthiest Oregonians to pay their fair share to help protect the vital services we all depend on – education, health care and public safety."

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