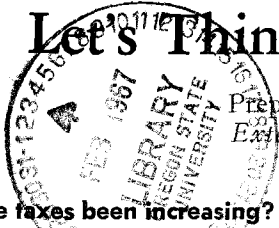


Let's Think About Taxes and Our Choices

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Why have taxes been increasing?

• **Inflation.** By inflation, we mean the general rise in prices of goods and services. Inflation is probably the biggest single reason for the increase in taxes in the past 20 years. Nationally, the general price level has risen at least 75%. Salaries of federal and state workers average between two and three times as much as they did 20 years ago. These pay increases have followed pay increases in private industry. Even so, public pay often has not been sufficient to hold the more capable workers in public jobs which require efficient, high-quality performance.

• **More and better services.** Tax costs have increased because more and better services are provided today. Take highways or schools for example. Today's country roads as well as freeways are far better than those of the past. In schools, we want more technical training. Technical training requires laboratories and costly equipment. We also want special training for the gifted, as well as for the less able or disinclined, of school age and beyond.

• **Population growth.** Another big reason for higher taxes is the rapid growth of population. There are some 46% more Oregonians and 55% more U. S. residents now than there were 20 years ago. The increases in the young and elderly are even greater. The young and the old generally make less money and pay less taxes, yet they require more public services than the middle-aged group.

Are higher taxes inevitable?

Higher taxes are not inevitable, but they are probable. Most observers feel that pressures for government expenditures and services will continue to be strong. Inflation, after slowing down for a few years, is now showing renewed vigor. Of course, what happens depends heavily on how the budgeting and appropriating bodies respond to various concerns expressed by those they serve. What comes will depend upon what people want, and when, and how they make their wants known.

What tax choices do we have?

If we wish to hold down taxes, we might:

• **Hold the line or reduce budgets.** Reduced budgets most likely mean fewer services, or poorer services, or both. It is not easy to agree on services to be cut. For many people, it is easier to give than to deny, but procedures could be tightened. The number of budget elections could be limited and consolidated.

• **Increase efficiency.** Increasing efficiency may mean more productive, more dedicated, or more competent workers—but obtaining and keeping these people usually costs more. More operations might be mechanized, but this requires investments. Consolidating local governments, special districts, and the like could reduce overhead and increase efficiency—but which ones do you eliminate and how? Would more use of special service districts help?

• **Seek special treatment.** Individuals or groups with common interests often seek and frequently obtain concessions or special treatment in determining their tax obligations. Such treatment often takes the form of deductions, allowances, write-offs, exemptions, and preferential assessments. These special considerations are authorized by the legislature or Congress when the majority in these bodies concludes that the demands are justified. Special treatment changes the distribution of the tax burden but does not necessarily change the total tax.

• **Substitute private goods and services.** We could obtain our education through tutors or private schools, or police protection through private detectives. We obtain most of our goods and services from private enterprise, but most people believe we are all better off providing certain services through group or government action. They believe the common interest or public well-being is best served in this way.

These are our choices if we are to hold taxes down. Obviously, none of these choices are easy. Can you think of any others? How about limiting inflation? Limiting population? Limiting wants?



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What kinds of taxes does Oregon have?

We have many kinds of taxes in Oregon, but not all kinds. Some of the most important ones are listed below.

- **Ad valorem property taxes.** These are the most important single source of revenue in the state. They are used entirely by local governments (municipal corporations) such as counties, cities, school districts, and other special districts. Property taxes are not the only source of income for most local governments, however. Most of them also receive monies from fees, fines, federal and state grants and aids, and the like.

- **Personal income taxes.** These taxes provide the most important source of money collected by Oregon's state government. They are used to help cover many of the costs of statewide services, including higher education, and to share in the costs of local government services such as schools. Other taxes that are used much like personal income taxes are *corporation excise and income taxes* and *inheritance and gift taxes*.

- **Motor fuels tax.** This is the third most important tax in terms of dollars raised for the state. The motor fuels tax is a dedicated or earmarked tax. The money is to be used almost entirely for construction and maintenance of highways, streets, and roads, generally in conjunction with federal or local government funds.

- **Cigarette tax.** The cigarette tax is our newest tax. It went into effect in July 1966. Revenue is divided among counties, cities, and general property taxes.

Several other special taxes, fees, and licenses yield lesser amounts of money and are used in a variety of ways. Of course, we have the same federal taxes as residents of other states.

What taxes are not levied in Oregon?

One kind of tax we do not have in Oregon is the poll tax or head tax; this is specifically excluded by the state's constitution. We do not have a general retail sales tax, as many states do, although we have specific sales taxes such as those on gasoline and cigarettes. Oregon does not have a business and occupation tax or various versions of excise, gross receipts, and income taxes found in some cities and states.

Is one tax better than another?

All types of taxes have various strengths and weaknesses. We look at them in various ways. We think of how each tax affects individuals, governments, and society. Briefly, taxes may be compared as follows:

Property Tax

Strengths

- Stable source of public revenue
- Related to certain benefits
- Can be administered reasonably well locally
- Retains local interest and responsibility

Weaknesses

- Difficult to administer equitably
- Not related to benefits for all of present uses
- Not closely related to ability to pay
- Affects property values

General Sales Tax

Strengths

- Easy to administer at state level
- Broad-based
- Paid in small amounts
- Quick revenue and high returns

Weaknesses

- Regressive—may not be closely related to ability to pay
- Difficult to administer locally
- Business is lost to tax-involved areas
- Nuisance to individuals and businesses who pay and collect taxes

Income Tax

Strengths

- Related to ability to pay
- Individual income tax not shifted
- Related to certain benefits

Weaknesses

- Difficult to administer locally
- Fluctuating revenue at local level with fixed rates
- Difficult to establish ability to pay

Why not consider a "single" tax?

Since all taxes must be paid out of income sooner or later, it is sometimes argued that a single tax, tapping the income flow at one or more points, would be most desirable.

Examination of strengths and weaknesses listed above, however, as well as other considerations, leaves room for much doubt about the consequences of such a tax. A single tax is unlikely so long as these doubts are held widely by legislators and the voting, tax-paying public. Such a change from the present system would be drastic, and changes in our system are seldom this drastic. Our changes are usually more evolutionary than revolutionary.

What tax structure do you choose?

What taxes should we keep? What should we change? What should we add? What should we discard?

How did we acquire our present taxes? How can we change what we have? Can a poorly informed, vigorous minority change our present taxes? For better, or for worse? How? Why?

Who should think for you in regard to taxes? Who should speak for you?

These are some of the questions to consider if we are to improve our local, state, and federal tax situation.