



AMERICANS for TAX REFORM

May 29, 2009

Oregon House of Representatives
Oregon State Senate

Dear Members of the Oregon Legislature,

I write in strong opposition to the recent budget proposal that will raise taxes by \$800 million in Oregon.

Raising the income tax to 11% – the highest level in the United States – will hit residents, small businesses, and seriously impede job creation during this recession.

In Oregon, a disproportionately high 96% of companies are small businesses and well over two-thirds file personal income tax returns as “pass-through” entities. These companies simply cannot shoulder the burden of excessively higher taxes. Small businesses employ 42% of Oregon’s workforce and those making more than \$125,000 are the largest of these job creators. This budget proposal will undoubtedly push Oregon’s 12% unemployment rate – the second highest in the nation – even higher.

Having the highest tax on small businesses next to two states – Washington and Nevada – that have no income tax is a recipe for economic disaster. Individuals and businesses do relocate to states with a more favorable tax treatment. Maryland, for example, just announced that after raising their top income tax rate they had a net loss of \$100 million from high-income earners who fled the state. Portland based companies can easily relocate north to Washington. Oregon would also have a 41% higher income tax than Idaho and, shockingly, a higher tax than neighboring California, where voters just roundly rejected increasing taxes themselves.

Additionally, efforts to raise the minimum corporate tax will have a detrimental effect on Oregon’s economy as well. Corporate taxes raise very little revenue for states – less than 7% for Oregon in the last cycle. Raising this tax will not raise much more revenue; however, it will cut into economic growth and lower the state’s business tax climate, which ranks 20th in the nation.

Oregon’s current budget crisis was not caused by taxes being too low. **The budget crisis was caused by a slowing economy combined with unsustainably high government spending.** Oregon has increased spending by a staggering 22.6% since 2003. Excessive spending caused this problem and spending restraint - not tax increases - is the solution.

As you continue to weigh options to rectify the state’s overspending problem, I urge you to oppose all tax increases. If you have any questions, please contact Kelly Cobb, state affairs manager, at (202) 785-0266.

Onward,

Grover Norquist

CC: Governor Ted Kulongoski

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