

April 15, 2013

**Testimony before the Senate Committee
on Finance and Revenue
regarding sales tax bills SJR 36 and SB 824
by Steve Buckstein**

Good afternoon, Chair Burdick, Vice-Chair George, and members of the Committee. My name is Steve Buckstein. I'm Senior Policy Analyst and founder of Cascade Policy Institute, which is a non-profit, non-partisan think tank based in Portland.

In 2007 I was appointed by Governor Kulongoski to represent taxpayers on the legislatively created Comprehensive Revenue Restructuring Task Force. The Task Force reviewed and analyzed revenue and spending streams in the state, but did not recommend comprehensive reforms to the tax system.

At the first Task Force meeting in November 2007, we heard from Portland pollster Adam Davis about his focus group work around tax reform. One key finding stood out, and I believe this is an accurate paraphrase:

“Any sales tax is dead in this state – unless coupled with elimination of another tax. Reducing other tax rates won’t sell a sales tax.”

“Even when it was explained that reduced income and/or property tax rates could be locked into the Constitution, voters responded that ‘They’ll find a way to jack the rates back up.’”

Mr. Davis recently told me that his firm did more quantitative analysis for two state senators which confirmed his focus group findings that Oregonians will not accept a third tax...period.

With that realization in mind, I proposed then, and I propose now, that we should have a serious discussion about replacing Oregon’s economically harmful income tax system with a less harmful sales tax system.

[Research](#) finds states without an income tax have experienced higher economic and job growth than states with high income tax rates like Oregon.

I want to be clear that I don’t like sales taxes very much either, but I’m convinced that they do less damage to the economy than do income taxes.

I suggest that [SJR 36](#) and [SB 824](#) be amended so that they not only create a state sales tax, but they prohibit income taxes in the Oregon Constitution ([Article IV, section 32](#)).

Once Oregon voters understand that it will be unconstitutional to tax their income, they may render a different verdict on a retail sales tax than they have nine times in the past.

If you worry that this proposal may not raise enough revenue, then you should shelve any talk of tax restructuring until the legislature and the Governor, or the people, have comprehensively restructured and reduced state spending.

I know that many of you don’t want to hear this, but simply adding a sales tax to our current income and property taxes never has been, and I believe never will be, acceptable to Oregon voters. They know that states with so-called three-legged tax stools have budget problems, too.

Until we reduce the size and scope of state government, no third source of tax revenue will solve our problems, it will simply mask them.

Thank you.