

# Unweirding Portland's Targeted Tax Regime

by Nikki E. Dobay and Jeff Newgard

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In this article, Dobay and Newgard argue that targeted tax regimes in the Portland, Oregon, region are overly complex and harm the regional economic and business climate.

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### Introduction

Anyone familiar with Portland, Oregon, or the television series *Portlandia* knows the city takes pride in its weirdness. In fact, driving around town you will find the occasional painted building, sticker, or t-shirt sporting the iconic yellow writing saying "KEEP PORTLAND WEIRD." The moniker is a symbol of Portland's unique street culture, which, of course, features a unicyclist wearing a Darth Vader mask playing a

flaming bagpipe. Unfortunately, that off-kilter identity extends to its tax system, which we assert is in desperate need of change.

### An Overview of Local Taxes in Oregon

The property tax is the cornerstone of Oregon's local tax system and serves as the single largest source of revenue for city and county governments. In the 1990s, Oregonians revolted against property taxes by amending the state constitution to impose strict rate and assessment limits.<sup>1</sup> Those limits, combined with a general aversion to retail sales taxes, significantly restrict local funding options and have triggered grim budget realities for decades. To this day, localities search for alternative funding streams to supplement increasing service demands and costs of government programs.

In addition, Oregon provides broad constitutional and statutory home rule taxing authority to chartered localities so long as that authority is not preempted by statute, and many localities use this authority to impose taxes on income, excises, and other sources.<sup>2</sup> The city of Portland and Multnomah County, the most populous city and county in the state, exercise their home rule authority to impose and administer a city business license tax and countywide business entity tax. Together, these revenue instruments (business license and business income taxes), along with the property tax, make up the historical underpinnings of the Portland tax regime.

<sup>1</sup> In the 1990s, Oregonians amended the state constitution to limit the amount of tax levied on a property per \$1,000 of the property's value. Measure 5 (1990) imposed rate limits of \$5 per \$1,000 for schools and \$10 per \$1,000 for governments other than schools. Measure 50 (1997) amended the Oregon constitution to fix property assessments to a historical value and limited future values to a 3 percent growth rate.

<sup>2</sup> See Or. Const. Art. VI, section 10.

Over the last decade, however, Oregon localities, particularly in the Portland area, have advanced what some might call novel tax proposals intended to support progressive causes and spending initiatives. These taxes target classes of taxpayers that the proponents would likely assert need to pay “their fair share” but result in a complicated tax structure that undermines the regional economic and business climate, and, thus, the taxes collected. A single firm operating in Portland is subject to a minimum of seven different taxes between federal, state, regional, county, and city governments, and, if the business has sales exceeding some thresholds, may have multiple gross receipts taxes layered on top. These taxes tend to create an unbreakable cycle of insufficient revenue and, counterintuitively, are likely to lead to more targeted taxes.

### A Decade of Targeted Taxes

In most states, aside from the property tax,<sup>3</sup> sales tax is a major source of funding for localities. Of the 45 states that impose a state-level sales tax, 36 allow a general sales tax at the local level.<sup>4</sup> In most jurisdictions, the local sales tax is merely an incremental rate increase on top of the state’s general sales tax.<sup>5</sup> While sales taxes may be seen as regressive, they are a stable and powerful revenue tool to raise money for government programs deemed worthwhile by the community. In Oregon, however, the aversion to sales taxes has removed the sales tax option from a locality’s fiscal toolbox. Localities have instead turned to rely on their home rule authority to find creative ways to raise revenue.

One can trace Portland’s foray into targeted taxes back to a temporary countywide personal income tax in 2003 with funds designated for schools, senior services, and law enforcement.

The tax, although not universally beloved, was mostly uncontroversial and straightforward by today’s standards. It is noteworthy that, unlike some initiative requirements in other states, Oregon requires a simple majority for all general and specific tax measures. The countywide personal income tax is historically significant not because of the tax itself, but because of the playbook it created for future fiscal initiatives by directly associating a general fund tax as a funding source for specific programs. This has made targeted taxes more politically viable and, perhaps, the preferred approach for local leaders and advocates.

In the years that followed, Portland voters have earned the reputation for struggling to find taxes they would not support. In fact, Portlanders have approved virtually every tax on the ballot in nearly a decade.<sup>6</sup> These taxes include a head tax fashioned as an income tax, a special tax on the executive compensation of publicly traded corporations, a municipal gross receipts tax on large retailers, a regional tax on personal income, and a regional tax on the income of business entities, all designated for specific social causes and services. And — as if that list were not already exhausting — Portland-area residents will be asked in the upcoming election to revive the countywide personal income tax and adopt a business payroll tax for dedicated spending initiatives. These recently proposed taxes are worth raising the alarm about because, unlike the original countywide personal income tax or existing payroll taxes for area transit programs, there is nothing straightforward about them, and that alone is a threat to the region’s tax system.

We could dedicate articles to dissecting each of these taxes. For your sanity (and ours), we will simply summarize their critical features and elaborate further as needed.

- **Portland’s Arts Tax:** In November 2012 Portland voters approved a \$35 flat tax on every resident in the city over the age of 18 with annual income exceeding \$1,000 and

<sup>3</sup>Property tax made up 76.2 percent of the local tax base in fiscal 2018, and the sales tax is the next largest tax collected at the local level, at 10.2 percent. EY, Council On State Taxation, and State Tax Research Institute, “Total State and Local Business Taxes: State-by-State Estimates for FY18” (Oct. 2019).

<sup>4</sup>See Urban-Brookings Tax Policy Center, “The State of the State (and Local) Tax Policy.”

<sup>5</sup>We acknowledge that there are a handful of states where the local tax base does differ from the state’s sales tax base (*e.g.*, Colorado and Louisiana), and that in Alaska, although there is no state-level sales tax, some localities do impose sales taxes.

<sup>6</sup>Some of the city’s smaller school districts and community colleges have proposed property tax levies and bonds that were ultimately rejected by the voters, but, after an exhaustive review, were unable to find any citywide or mostly citywide measure that has failed since a construction bond for the Portland Public School District in 2011.

household income above the federal poverty level.<sup>7</sup> Fashioned as a head tax but technically an income tax, the arts tax has withstood multiple constitutional challenges.<sup>8</sup> Administratively, however, the arts tax has been plagued by low compliance rates,<sup>9</sup> frustrations from taxpayers over collections enforcement over nominal bills,<sup>10</sup> and repeated critiques from the city's auditor.<sup>11</sup>

- **Portland's Executive Compensation Tax:** In December 2016 the Portland City Council adopted an ordinance requiring publicly traded corporations to pay a surtax on the city's business license tax of 10 percent if their executive pay ratio exceeds 100 to 1 of the company's median wage, and 25 percent if their ratio exceeds 250 to 1.<sup>12</sup> Upon the tax's passage, City Commissioner Steven Novick (D) said it "was the closest thing I'd seen to a tax on inequality itself."<sup>13</sup>
- **Portland's Gross Receipts Tax:** In November 2018 Portland voters adopted a controversial funding mechanism to raise revenues dedicated to green energy investments. The tax, formally known as the Portland Clean Energy Fund Surcharge, is a 1 percent gross receipts surcharge layered on top of the city's existing business

license tax for large retailers with annual global retail sales exceeding \$1 billion and Portland retail sales exceeding \$500,000.<sup>14</sup>

- **Oregon Metro's Personal Income and Business Profits Taxes:** Until recently, Portland's targeted tax movement had been exclusive to city limits, but it has now expanded to the region's suburban communities. In May Portland-area voters approved new regional taxes on personal income and business profits to fund services for the homeless. The ordinance establishing these taxes, referred to voters by Oregon's Metro Council (Metro),<sup>15</sup> imposes an income tax on the taxable income of residents in the district and income derived in the district by a nonresident if taxable income exceeds \$125,000 (\$200,000 for joint filers).<sup>16</sup> The business profits tax is an entity-level income tax on persons doing business in the Metro district with total global gross receipts exceeding \$5 million.<sup>17</sup> The ordinance specifies that the personal income tax will follow the laws and regulations of the state personal income tax and that the business profits tax will follow the rules and procedures of the Multnomah County business income tax.<sup>18</sup>
- **Oregon Metro's Employer Payroll Tax:** In July Oregon Metro referred to voters an employer-side payroll tax on up to 0.75 percent of the wages paid by some employers with more than 25 employees.<sup>19</sup> If approved, the tax is estimated to raise

<sup>7</sup> See Portland City Code (P.C.C.) section 5.73.

<sup>8</sup> In *Wittmyer v. City of Portland*, 361 Or. 854 (2017), the Oregon Supreme Court ruled that the arts tax did not violate Or. Const. Art. IX, section 1a, prohibiting the imposition of a poll or head tax, because the tax takes into consideration the income of the taxpayer.

<sup>9</sup> See Paul Jones, "Portland Arts Tax Suffering From Low Compliance, Audit Finds," *Tax Notes State*, Aug. 3, 2015, p. 442.

<sup>10</sup> See Kyle Iboshi, "Portland Sent 14,600 People to a Private Debt Collector Over Unpaid Arts Tax," *KGW News*, Nov. 7, 2019.

<sup>11</sup> See Portland City Auditor, "The City Needs to Make Realistic Commitments to Voters and Ensure They Are Delivered" (Dec. 11, 2019).

<sup>12</sup> See P.C.C. section 5.02.

<sup>13</sup> See Gretchen Morgenson, "Portland Adopts Surcharge on C.E.O. Pay in Move vs. Income Inequality," *The New York Times*, Dec. 7, 2016. COST's policy position in opposition to CEO-to-median-wage-ratio taxes is a direct result of Portland's adoption of this provision. See COST, "Taxes Based on a CEO-to-Median-Wage Ratio Are Unsound and Not Administrable." Although this type of tax has been considered by several other states and localities, it has yet to be implemented by any other jurisdiction, raising significant questions regarding its soundness.

<sup>14</sup> See P.C.C. sections 5.04, 7.02, and 7.07. In addition to COST's general opposition to gross receipts taxes (see COST, "Gross Receipts Taxes"), COST submitted comments in opposition to some amendments proposed by the city, which expanded the receipt pool used to determine whether a taxpayer is subject to the Portland gross receipts tax. See letter from Nikki E. Dobby to Thomas Lannom (Jan. 18, 2019).

<sup>15</sup> Oregon Metro is the regional land use planning agency spanning the urban areas of Clackamas, Multnomah, and Washington counties.

<sup>16</sup> See Exhibit A to Oregon Metro Ordinance No. 20-1442 section 10(1).

<sup>17</sup> See Exhibit A to Oregon Metro Ordinance No. 20-1442 sections 10(2) and (3).

<sup>18</sup> See Exhibit A to Oregon Metro Ordinance No. 20-1442 sections 20(1) and (2).

<sup>19</sup> The ordinance language referred to voters exempts state and local governments, applying the tax to private businesses and charities with more than 25 employees. Notably, the exemption for employers with 25 employees does not specify location. Thus, the exemption is presumed to apply globally. See Exhibit A to Oregon Metro Ordinance No. 20-5123.



approximately \$250 million per year for dedicated spending on light-rail infrastructure, roadway projects, and pedestrian safety projects.

- **Multnomah County (Portland) Personal Income Tax:** In August the Multnomah County Board of Commissioners referred to voters a personal income tax on “high earners” to fund tuition-free preschool for all.<sup>20</sup> If approved, the tax would apply to the entire taxable income of county residents and the taxable income derived in the county by nonresidents at rates of 1.5 percent on taxable income exceeding \$125,000 (\$200,000 for joint filers) and 3 percent on taxable income exceeding \$250,000 (\$400,000 for joint filers). These rates would increase by 0.8 percent in 2026 or as deemed necessary by the commission.<sup>21</sup>

Targeted taxes are a growing feature of the Portland metro area’s local tax structures. And it appears Portland is not alone: A recent *Oregon Law Review* article asserts that politicians and advocates in many jurisdictions around the country are turning to targeted taxes as a tactical tool for raising revenue to fund progressive spending programs.<sup>22</sup> This seems to be especially true when voter approval is required to implement a new tax or to increase taxes. Conventional wisdom suggests voters will object to raising their own taxes but, if presented the opportunity, might be eager to raise taxes on classes of taxpayers deemed politically undesirable — often businesses (particularly larger businesses) and those with higher incomes. The targeted nature of these taxes is discriminatory and raises constitutional concerns. In Portland’s case, it is perhaps only a

matter of time before the localities imposing these targeted taxes find themselves in a courtroom.

### Statutory and Constitutional Pitfalls of Targeted Taxes

As with state tax laws, local taxes are required to comply with the U.S. Constitution, a state’s constitution, and any state statutes governing local taxation. Regarding the U.S. Constitution, localities must consider whether a targeted tax will comply. Again, because targeted taxes are levied on a specific class of taxpayers, they generally run the risk of being facially discriminatory under the equal protection clause. The question then becomes: Does the locality have a rational basis for imposing those taxes? The rational basis test has long been considered an easy hurdle for the government to overcome; however, if state courts, which are generally the courts reviewing these issues, continually uphold any rationale put forth by the locality, one must ask whether this protection is merely perfunctory. Although it is easy to take a cynical view, we believe these cases continue to be important as they are a check on the system and require localities to go through the exercise of determining whether these taxes pass constitutional muster. Hopefully, they will trigger some consideration by the localities before a tax is proposed.

For purposes of analyzing state constitutional and statutory provisions, taxpayers should leave no stone unturned. At the state level there will often be a complex web of constitutional and statutory provisions that have been enacted over a lengthy period and that often do not fit together neatly. Questions often arise whether the locality has home rule authority or whether a specified set of state statutes otherwise govern the jurisdiction’s taxing authority. Also, it is often the case that voter approval will be required to enact a tax or *expand* the scope of a tax — a step sometimes missed by the jurisdiction.

When looking at the state-level legal analysis as it applies to these new and proposed taxes in the Metro area, the lines become increasingly blurry. Not only must one consider Oregon’s uniformity clause, which acts like the equal protection clause and requires all taxpayers to be treated equally, Oregon constitutional and statutory provisions

<sup>20</sup> See ballot title for Measure 26-214 and Exhibit A of Multnomah County Ordinance No. 2020-067 section (3).

<sup>21</sup> Notably, the proposed countywide personal income tax is in addition to the existing countywide business income tax paid by most firms, including passthrough businesses, meaning owners of these firms may experience two layers of income tax. Although such double taxation is likely lawful, it is undesirable for businesses, and officials should eliminate the distortionary effect.

<sup>22</sup> For an in-depth discussion on targeted taxes in multiple jurisdictions, see Andrew Appleby, “Targeted Taxes: Localities Take Aim at Large Employers to Solve Homelessness and Transportation Challenges,” 98 *Or. L. Rev.* 477 (2019).

governing local jurisdictions' taxing and governing authority must be examined. It is not uncommon for a local jurisdiction to act on a tax issue only to find out later it overstepped its constitutional or statutory authority.<sup>23</sup> State law should also be scrutinized closely to ensure citizens' initiatives comply with the local jurisdiction's taxing authority.

Considering these issues, the following recently enacted and proposed taxes raise significant concerns, of which taxpayers should be aware:

- **Portland Executive Compensation Tax:** Portland's tax on executive compensation may discriminate against a class of taxpayers (publicly traded corporations) in a manner that violates federal and state constitutional provisions (equal protection and uniformity clauses). Further, its reliance on facts outside of the jurisdiction (that is, the CEO-to-average-wage ratio, which is calculated on a worldwide basis) for purposes of determining the amount of liability may violate the fourth prong of the *Complete Auto* test, which requires that the tax be fairly related to the services provided.
- **Portland Gross Receipts Tax:** Portland's gross receipts tax on large retailers may discriminate against interstate commerce by setting a threshold affecting only large multijurisdictional firms in a way that violates the U.S. commerce and equal protection clauses and the Oregon uniformity clause.<sup>24</sup> Notably, the chief petitioner for the initiative lauded the discriminatory intent and design of the threshold as only imposing the tax on "nationwide retail businesses."<sup>25</sup>

<sup>23</sup> See *City of Portland v. Homeaway.com Inc. and Homeaway Inc.* Case 3:15-cv-01984-MO (U.S. District Court for the District of Oregon, Portland Div. (2017)) (while the voters of Portland have provided the city with the authority to impose the retail receipts tax as passed in the ordinance, the city lacks the authority to broaden that tax by increasing the pool of taxpayers that are subject to the tax without voter approval).

<sup>24</sup> The King County Superior Court in Washington state recently ruled that a 1.2 percent surtax to the business and occupation tax violated the federal commerce clause by establishing a threshold so narrow it would only apply to larger, multijurisdictional firms. See *Washington Bankers Association v. State of Washington*, No. 19-2-29262-8 (Wash. Super. Ct., King Cnty. (May 15, 2020)).

<sup>25</sup> See E.D. Mondaine, "Portland's Chance for Corporate Accountability," *The Oregonian*, Sept. 1, 2018.

- **Oregon Metro Business Profits Tax:** Oregon Metro's entity-level business income tax may violate Oregon statutory requirements that such taxes be "consistent with any state law relating to the same subject."<sup>26</sup> Depending on the application of the tax and because Oregon does not levy an entity-level income tax, Metro's tax may run afoul of this state law. Additionally, the threshold exemption for taxpayers with less than \$5 million in global gross receipts may violate the U.S. equal protection clause and the Oregon uniformity clause in a manner similar to the Portland gross receipts tax.
- **Oregon Metro Employer Payroll Tax:** Oregon Metro's proposed employer payroll tax may discriminate against a class of taxpayers by subjecting larger multijurisdictional firms with less than 25 local employees to tax while exempting local businesses with the same number of employees. Such discrimination may violate the U.S. commerce and equal protection clauses and the Oregon uniformity clause.

As noted, several of these new and proposed taxes are imposed either through an income or sales threshold or on some businesses only, raising equal protection and uniformity clause issues. Assuming a taxpayer challenge is successful, the remedy must be considered. Because the legal system tends to favor remedial action over rescinding a law so long as an equitable remedy is available, the courts may prescribe changes to eliminate the unlawful discrimination. For example, in the case of Portland's gross receipts tax, the courts may level the playing field by eliminating the \$1 billion global gross receipts threshold and applying the tax broadly to a larger group of businesses. Likewise, the courts may rule that Oregon Metro's employer payroll tax, if approved, is unlawful discrimination against larger firms and simply eliminate the preferential treatment for local small businesses, subjecting all employers to the jobs tax. Such a remedy is likely to further exacerbate the unfavorable business climate as it fails to reflect the goal of the elected leaders,

<sup>26</sup> See Or. Rev. Stat. section 268.505(1) and (4).

advocates, and voters. It would, however, reflect the foundation of our legal system — fairness.

Given the numerous issues raised by these taxes, litigation seems inevitable. The amount of tax at issue and litigation costs, however, will be important factors that inform a taxpayer's decision to litigate. It is important to note that in Oregon, association standing at the state level is difficult to obtain. Thus, a named taxpayer will likely be required to move any of these issues forward through a court proceeding at the state level. Nevertheless, taxpayers that face or will face significant increases in their tax liabilities under any of the above taxes should consider whether a legal challenge is viable and economically feasible. At the state-level, a challenge can be brought as a declaratory judgment action, and for out-of-state taxpayers, diversity jurisdiction may be an option down the line when the locality asserts a deficiency.

### The Policy, Practical, and Political Reality of Targeted Taxes

Putting potential legal challenges aside for a moment, these targeted taxes also raise a host of policy, practical, and political issues. First, principles of sound tax policy inform us that low-rate, broad-based taxes are the most effective and efficient method to raise government revenues. Although advocates on both sides may differ as to which specific low-rate, broad-based tax is best, most would agree that targeted taxes fail to adhere to this principle. Further, aside from the constitutional and legal ramifications of a facially discriminatory tax, taxes ought to — as a policy matter — be applied fairly. Thus, when the principles of tax policy are considered, targeted taxes are generally a non-starter.

Also, targeted taxes fail on a practical level. Considering the Portland experience (or experiment), tax administration and compliance have been, and continue to be, challenging. Administrators often struggle to keep up with the pace of new and complex tax proposals while also maintaining their core oversight of the locality's underlining tax regime. Portland's arts tax is often used as the punchline of any joke about Portland's tax system, but it may perhaps be the best example of these struggles for local

tax collectors. Upon passage, the tax included a 5 percent limit on administrative costs to make sure funds were prioritized for program spending. In 2018, however, the Portland City Council repealed the limit in response to complaints from the Revenue Division, saying it was not realistic.<sup>27</sup>

Similarly, taxpayers and practitioners often encounter significant compliance obstacles trying to navigate the regulatory labyrinth of local tax regimes. Localities that impose general sales taxes that are centrally collected by the state sidestep these issues, which is good for taxpayers and administrators. In Portland and other larger cities along the West Coast that have enacted new and creative targeted taxes, even large multijurisdictional taxpayers struggle to comply based on the significant complexity created by these taxes. In our experience, taxpayers want to comply and, more importantly, need to know how to comply with the law. Unfortunately, that is becoming increasingly difficult and costly with the recent surge of targeted taxes.

Conversations around new or expanded taxes generally focus, almost exclusively, on the tax liabilities of those affected by a change in policy. The playbook of the warring tribes in state and local tax battles often digresses to convincing the public that a tax is either a job killer or only a small increase. For these targeted taxes, however, neither is correct. If a taxpayer finds itself the target of one of these taxes, there is an increasing likelihood that the taxpayer will need to hire one or more practitioners to manage their filing and monitor the locality for any changes. These compliance costs only compound as local tax regimes become more targeted and complex. In many cases, the costs of complying with a locality's tax regime far outweigh the amount ultimately paid in tax.

These tax compliance costs have a deterrent effect on the regional economy and may nurture adversarial relationships between local elected officials and the business community. The growing prominence of these targeted taxes also

<sup>27</sup> See Gordon Friedman, "Portland City Council Axes Limit on Arts Tax Overhead Spending," *The Oregonian*, Mar. 14, 2018. See Portland City Auditor, *supra* note 11.

incubates a deep frustration from businesses that undermines already difficult discussions around taxes and revenues. To be fair, there is enough blame to go around between the proponents of higher or more complicated tax structures and the business community. Admittedly, the business community has done an inadequate job of communicating the compliance burdens and their costs to elected leaders, which needs to change.

Targeted taxes are by nature and intent distortive, and the courts may step in forcefully if we cannot find ways to foster meaningful conversations to move away from them. If the courts rule that a tax is unlawful class-based discrimination and take action to eliminate the discriminatory features, the result may magnify the distortive problems of the tax. The most disruptive example of this reality is the Portland gross receipts tax. If the courts find that the high gross receipts threshold specifically targets larger national or multinational firms, the courts may repeal the requirement and apply the tax to all firms with local gross receipts exceeding \$500,000. To our knowledge, the advocates supporting these initiatives never intended for such expansive taxes, and they were never conveyed to the voters, but this may be the future that awaits us without real conversations around structural tax reform.

### **Opportunities to Simplify Tax Administration And Compliance**

There is a growing tax policy preference for localities — especially in the Portland metro area — to finance progressive spending initiatives through targeted new or increased taxes toward narrow groups of taxpayers. This seems especially true when it comes to taxes targeted at large out-of-state business and higher-income taxpayers. Progressivity is an admirable objective for any tax system as it ensures tax efficiency; however, taxes on narrow subsets of taxpayers undermine the progressive function of the tax system, create collection and compliance inefficiencies and produce a growing list of litigatory threats.

Admittedly, identifying the problems with targeted taxes is much simpler than resolving them, and there may not be a one-size-fits-all

solution for every locality. The most efficient way for a locality to raise revenue is to entice a business and regulatory climate conducive to recruiting new businesses and encouraging existing businesses to expand and create new jobs. Sometimes, however, leaders may find that growth alone — or, at least, growth as they know it — is not enough to meet the aggressive spending demands of the community. In this case, politicians and the business community could better serve the causes intended to benefit from these taxes by avoiding targeted taxes altogether, and instead pursue a broad-based tax structure that is simple to implement and comply with.

Obviously, the simplest taxes to comply with for businesses are those that piggyback upon a state-level tax and that are administered centrally at the state level. Oregon's lack of a general sales tax is a significant obstacle for Oregon localities. For localities in other states, leaders and advocates maintain the option to refer local-level sales taxes, which can be powerful revenue instruments, to finance progressive spending initiatives. For example, in 2006 and 2014, Denver voters approved and reauthorized a 0.15 percent increase to the city's sales tax to finance a universal tuition assistance program. The sales tax itself remained unchanged; thus, taxpayer compliance remained unchanged. The additional revenues collected from the increased rate provide an easy-access spigot to fund progressive initiatives. The ingenuity of progressive tax systems does not stop at the funding mechanism, but instead at the way funds are used to meet community needs.

We recognize the hardships faced by Oregon localities to keep up with the mounting demand on public services and the desire to raise funds to meet progressive spending initiatives. Further, we recognize Oregon localities are at a significant disadvantage based on the lack of a statewide general sales tax. These issues, however, should not be an excuse for an inefficient tax system that is becoming increasingly difficult to comply with. Achieving a balanced and efficient tax system may not be an easy task, but it is necessary to avoid costly and potentially disruptive litigation, and local



leaders should endeavor to redesign the local fiscal regime around a broad-based tax to support progressive spending programs.

Businesses are not universally opposed to all taxes; they are, however, exhausted with the repetition of new tax proposals and knowing there is most likely another waiting around the bend. This cycle of broken tax politics needs to end to truly address the root causes and find a pathway towards sustainable progressive spending reforms. Thus, it is time for local leaders to engage the business community in a meaningful dialogue to understand the significant legal risks and challenges faced by businesses to comply with the myriad new and proposed taxes. Until then, however, the community's problems only compound while the tax bills become more complicated to calculate. ■

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