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January 26, 2010 Special Election

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Ballot Measure 66 and 67

KATE BROWN
SECRETARY OF THE STATE

BALLOT TITLE - MEASURE 66

"Citizen Tax Referendum-Corporate Tax Increase-House Bill 3405 (2009)"

RAISES TAX ON HOUSEHOLD INCOME AT AND ABOVE \$250,000 (AND \$125,000 FOR INDIVIDUAL FILERS). REDUCES INCOME TAXES ON UNEMPLOYMENT BENEFITS IN 2009. MAINTAINS FUNDS CURRENTLY BUDGETED FOR EDUCATION, HEALTH CARE, PUBLIC SAFETY, OTHER SERVICES.

RESULT OF "YES" VOTE: "Yes" vote raises tax on income at and above \$250,000 for households, \$125,000 for individual filers. Tax rate increases 1.8 percentage points on amount of taxable income between \$250,000 and \$500,000, 2 percentage points on amount above \$500,000 for households. For individual filers, the rate increases begin at \$125,000 and \$250,000 respectively. Eliminates income taxes on the first \$2,400 of unemployment benefits received in 2009. Raises estimated \$472 million to maintain funds currently budgeted for education, health care, public safety, other services.

RESULT OF "NO" VOTE: "No" vote rejects tax changes on income at and above \$250,000 for households, \$125,000 for individual filers. Rejects tax exemption for first \$2,400 of unemployment benefits received in 2009. Reduces funding currently budgeted for education, health care, public safety, other services by estimated \$472 million.

SUMMARY: Under current law, a marginal tax rate of 9% applies to taxable household income over \$15,200 (or \$7,600 for individual filers), taxpayers may deduct federal income taxes paid, and unemployment compensation is taxable. Measure eliminates income taxes on first \$2,400 of unemployment benefits received in 2009. For tax years 2009-2011, the measure increases tax rate 1.8 percentage points on amount of household income between \$250,000 and \$500,000, by 2 percentage points on amount above \$500,000 (for individual filers, rate increases begin at \$125,000 and \$250,000, respectively). For the tax year beginning 2012, the tax rate for households with income above \$250,000 (above \$125,000 for single filers) will drop to 9.9%. Measure does not increase tax rate on household income below \$250,000 (below \$125,000 for individual filers). For households with adjusted gross income at or above \$250,000 (or \$125,000 for individual filers), reduces federal income tax deduction. Raises \$472 million to maintain funds currently budgeted for education, health care, public safety, other services. Because some state money brings in federal matching funds, Oregon will likely receive more federal money if measure passes than if it fails. Other provisions.

EXPLANATORY STATEMENT: Measure 66 establishes new marginal state income tax rates for households with income over \$250,000 a year, and individual filers with income over \$125,000 a year beginning in tax year 2009. The Measure would not increase taxes on household income under \$250,000 (or \$125,000 for individual filers). The Measure would exempt from income taxes the first \$2,400 in unemployment compensation received in 2009. The Measure would raise approximately \$472 million, which would maintain funds currently budgeted for education, health care, public safety and other services. Approximately 90% of the state general fund budget goes to

education, health care and public safety.

Under current law, unemployment compensation benefits are taxable income. The Measure eliminates income taxes on the first \$2,400 of unemployment benefits received in 2009, so that individuals who received unemployment compensation in 2009 will not have to pay state income taxes on those benefits.

Under current law, a marginal tax rate of 9% applies to taxable household income over \$250,000 a year, and individual filers with income over \$125,000 a year. Measure 66 increases the marginal tax rate by 1.8 percentage points on household income between \$250,000 and \$500,000 and by 2 percentage points on household income above \$500,000. For individual filers, the marginal tax rate increase of 1.8 percentage points begins for income over \$125,000 and the 2 percentage points increase begins for income over \$250,000. For the tax year beginning 2012, the tax rate for households with income above \$250,000 and \$125,000 for individual filers will drop to 9.9%. The Measure also phases out the federal income tax deduction for households with adjusted gross income at or above \$250,000 and individuals with income at or above \$125,000. Income tax rates will not increase on household income under \$250,000 and individual income under \$125,000.

Because some state money brings in federal matching funds, the state is likely to receive more federal money if the Measure passes than if the Measure fails

BALLOT TITLE - MEASURE 67

“Citizen Tax Referendum-Corporate Tax Increase-House Bill 3405 (2009)”

RAISES \$10 CORPORATE MINIMUM TAX, BUSINESS MINIMUM TAX, CORPORATE PROFITS TAX. MAINTAINS FUNDS CURRENTLY BUDGETED FOR EDUCATION, HEALTH CARE, PUBLIC SAFETY, OTHER SERVICES.

RESULT OF “YES” VOTE: “Yes” vote raises \$10 corporate minimum tax, establishes \$150 minimum tax for most businesses or minimum tax of approximately 0.1% of total Oregon revenues for some corporations with over \$500,000 in Oregon revenues. Raises tax rate some corporations pay on profits by 1.3 percentage points. Increases certain business filing fees. Raises estimated \$255 million to maintain funds currently budgeted for education, health care, public safety, other services.

RESULT OF “NO” VOTE: “No” vote retains \$10 corporate minimum tax, rejects \$150 minimum tax, rejects raising corporate profits tax, other changes. Reduces funding currently budgeted for education, health care, public safety, other services by estimated \$255 million.

SUMMARY: Under current law, corporations conducting business in Oregon pay \$10 minimum tax; tax has not changed since 1931. Some corporations pay a profits tax of 6.6%. All other businesses pay no minimum or profits tax. Beginning in tax year 2009, the Measure increases \$10 minimum corporate tax to \$150; some corporations with over \$500,000 in Oregon revenues will pay minimum tax of approximately 0.1% of Oregon revenues. Limits tax to \$150 for S corporations and partnerships. Sole proprietors are not impacted by this measure. Raises tax rate some corporations pay on profits by 1.3 percentage points until 2011; increase then drops to 1 percentage point and as of 2013

applies only to profits over \$10 million. Corporations pay minimum tax or profits tax, not both. Increases filing fees by \$50 for Oregon businesses, by \$225 for out of state businesses. Raises estimated \$255 million to maintain funds currently budgeted for education, health care, public safety, other services. Because some state money brings in federal matching funds, Oregon will likely receive more federal money if measure passes than if the Measure fails. Other provisions.

EXPLANATORY STATEMENT: Measure 67 raises the corporate minimum tax for the first time since 1931. Beginning in tax year 2009, S corporations and partnerships will pay \$150. The Measure increases the tax C corporations will pay on profits. Some filing fees with the Secretary of State also will be increased. Sole proprietors are not subject to the minimum tax. The Measure will raise an estimated \$255 million to maintain funds currently budgeted for education, health care, public safety and other services. Approximately 90% of the state general fund budget goes to education, health care and public safety. Because some state money brings in federal matching funds, Oregon will likely receive more federal money if the measure passes than if the Measure fails.

Beginning in tax year 2009, the Measure raises the corporate minimum tax from \$10 to \$150. C corporations with over \$500,000 in Oregon revenues will pay a minimum tax of approximately 0.1% of Oregon revenues. The tax rate for profits over \$250,000 paid by C corporations will increase by 1.3 percentage points for 2009 and 2010. The rate increase is reduced to 1.0 percentage point for tax years 2011 and 2012. For tax years after 2012, the profits tax rate returns to 6.6% for all C corporation profits below \$10 million, and the marginal tax rate of 7.6% will apply to C corporations' profits over \$10 million. C Corporations pay minimum tax or profits tax, not both.

For business entities other than C corporations, such as S corporations and partnerships, the Measure sets the taxes those businesses will pay at \$150.

The Measure also increases the filing fees that businesses will pay to the Secretary of State. Filing fees will increase from \$50 to \$100 for Oregon businesses, and from \$50 to \$275 for out of state businesses. Fees for filing uniform commercial code financing statements will increase by \$5 and the application fee to be a notary public will increase from \$20 to \$40.

Certification:

We, the undersigned, hereby certify that, pursuant to chapter 714, Oregon Laws 2009, we have adopted language for the ballot titles and explanatory statements for measure 66 and measure 67.

Voting Aye: 4- Rep. Garrett, Sen. Rosenbaum, Sen. Devlin, Rep. Roblan

Voting Nay: 2- ~~Rep. Berger, Sen. Telfer~~

Senator Richard Devlin

10/21/09
Date

Representative Arnie Roblan

10/21/09
Date