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Summary

Portland has become a very high cost place to do business. Recently, the Portland Business License Fee went up 45 percent, retroactive to the beginning of 2002. Such policies are only possible because most people don't understand that business always passes taxes on to individuals. The business community must speak with one voice about how such government burdens hurt everyone. Otherwise, more businesses will leave and jobs will vanish.

Word count: 595

“We prohibit ex post facto criminal punishment in this country. We should also prohibit ex post facto tax increases.”

Prosperity or Portland?

By Steve Buckstein

“Prosperity or Portland?” This is a slogan being used by business interests across the Columbia River to promote Clark County, Washington over Multnomah County, Oregon. Has Portland become so business-unfriendly that a real exodus might be starting? Perhaps.

The straws breaking the camel's back are two new taxes put in place during this recession. The most visible is the Multnomah County 1.25 percent personal income tax approved by voters on May 20. This three-year tax is retroactive to the beginning of 2003. Since the vote, numerous letters to the editor have been published from people either thinking about or actually moving out of the county to avoid this new tax burden.

The less visible new tax was enacted by the Portland City Council in March with so little fanfare that many business owners still aren't aware of what it will do to them. This four-year “temporary surcharge on the Business License Fee” initially raises the 2.2 percent base rate to 3.2 percent—a 45 percent increase. The surcharge rate may drop if the economy recovers, but if the economy stays soft or if many businesses leave the city, the rate will rise on the businesses that remain.

The most disturbing feature of the city surcharge is that it is retroactive all the way back to the beginning of 2002. Businesses that operate on the calendar year suddenly owe 45 percent more tax, even if they filed and paid last year's taxes months ago.

Owners owe more tax even if they are no longer in business. If they sold their business last year they owe the surcharge on the sale revenue. We prohibit ex post facto criminal punishment in this country. We should also prohibit ex post facto tax increases.

Many business owners are just finding out about this new retroactive government burden. Whether aware of it or not, doing business in Portland just became more expensive. More expensive than in Clark County, or anywhere in Oregon. Will this trigger an exodus? Again, perhaps.

If government is allowed to reach back 15 months when it wants more revenue, what will stop it from reaching back 24 months, or five years? Until now the only

certainties in life were thought to be death and taxes. If no one resists, Portland just added retroactive tax increases to the list.

Another certainty that is lost upon business tax proponents: only people pay taxes. A tax imposed on business may be collected by that business, but it is ultimately paid by:

- Customers, in the form of higher prices;
- Shareholders, retired and otherwise, in the form of lower dividends;
- Business owners, in the form of less take home pay; or
- Employees, in the form of lower salaries and benefits, or fewer job opportunities.

When it is finally understood that people pay all taxes, voters will no longer let politicians hide behind the euphemism of taxing business. That will be the day politicians will have to make it clear which individuals they really want to tax.

Business leaders should reconsider their effort to restructure the Portland/Multnomah Business Income Tax. Even if reducing the income tax and adding a payroll tax has virtues, the current proposal divides the business community and fails to lower its overall costs. Business people should focus instead on coming together to speak with one voice about how onerous government burdens hurt not just them, but all Portlanders. Otherwise, everyone loses as companies leave and jobs vanish.

Prosperity *or* Portland? By speaking out against business taxation, we can help make prosperity *and* Portland synonymous again.

Steve Buckstein is president of Cascade Policy Institute, a Portland, Oregon think tank.

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