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Senate Democrats vote to protect state's right to set tax policy for Oregonians
Disconnecting from federal tax code will save at least \$80 million in state revenue

(SALEM) – In the face of a potential \$3 billion budget shortfall over the next 28 months, the Oregon State Senate today voted to protect the state's right to determine its own tax policy by "disconnecting" from the federal tax code.

"Our goal is to craft tax policy that makes sense for Oregon and her citizens rather than having our destiny determined by the national goals set in Washington," said Senator Ginny Burdick (D-Portland), chair of the Senate Finance and Revenue Committee. "Unlike Congress we have to balance our budget and this measure today will give us the tools to do that sensibly rather than in response to federal mandates."

The measure will prevent an additional \$80 to \$100 million reduction in state revenues, while leaving open the option of adopting some or all of the changes in the federal tax code.

"When we are facing a massive budget shortfall, my question for opponents of this measure is: 'Where do you want to make \$80 million in additional cuts?'" asked Senate Ways and Means Committee Co-Chair Margaret Carter, (D-Portland). "Do you want to take that money out of education? Health care? Human services? Public safety?"

The move will have no effect on federal tax cuts contained in the American Recovery and Reinvestment Act.

"Oregonians will receive every dime of the federal tax cuts included in Congressional stimulus package," said Senate Majority Leader Richard Devlin (D-Tualatin). "This measure simply allows the Oregon Legislature to determine state tax policy rather than having it dictated to us by Washington."

For example, Devlin said Oregonian families making less than \$200,000 would receive the much talked about "Making Work Pay" tax cut – an \$800 federal income tax reduction which will show up in their paychecks in the form of lower withholding. More than 40,000 Oregon families will also be eligible for a \$2,500 college tuition tax credit included in the federal stimulus package.

Oregon lawmakers can't raise or lower federal taxes, but federal tax laws do play a part in determining taxable income under Oregon law.

“It is complicated and I guess it’s understandable that some people might get confused,” Devlin said. “It should be made abundantly clear, however, that nothing we have done here today will raise anyone’s taxes. Any claims to the contrary are just attempts to mislead the public.”

The Senate Majority Leader said lawmakers will closely examine how each measure in the federal stimulus package will affect Oregonians before determining which measures to reconnect to later in the session.

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