

Business

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Momentum builds to reduce or repeal corporate 'kicker'

Oregon lawmakers consider keeping the money for schools

BY BRAD CAIN

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So-called "kicker" refunds that are sent to Oregon taxpayers whenever state tax revenues exceed official forecasts are so beloved among the populace that the checks are considered politically untouchable -- even if the state needs the money.

But momentum is increasing for changing a part of the refund law -- which is unique to Oregon -- in a fashion that would do away with kicker refunds that are sent to corporations.

Advocates of the idea say it makes sense because most of the corporate kicker rebate money is sent to out-of-state corporations.

All three Democratic gubernatorial candidates have voiced support for changing the corporate kicker, including Gov. Ted Kulongoski. They say the state should be able to spend the corporate kicker money on schools or other programs.

"With the economy doing better, this would be a great opportunity to take that additional revenue and reinvest it in our programs and infrastructure to replace what we lost in the 2001-03 recession," Kulongoski said in an interview.

The three Republican gubernatorial candidates want to keep the law as it is, saying it places a limit on state spending.

State Sen. Ben Westlund of Tumalo, who is running as an independent candidate for governor, supports changing the corporate kicker law but only as part of an overhaul of Oregon's tax system.

For weeks, representatives of the state's leading business groups have been meeting privately to discuss the possibility of supporting a move to abolish or reduce the corporate kicker and direct the money to schools or other uses.

The impetus for those talks came March 1, when state economists broke the news that the state is on track to pay \$205 million in kicker refunds to corporations next year, their biggest state tax rebate in history.

The \$205 million windfall to corporations appeared to some as an embarrassment of riches at a time when Oregon's human-services programs are facing a \$140 million budget hole and Portland schools and other school districts continue to struggle financially.

The projected kicker refunds to individual taxpayers next year are even larger -- \$460 million by the latest estimate -- but no policymakers are proposing to end the personal kicker.

Charles Sheketoff of the Oregon Center for Public Policy, a Silverton-based think-tank, said he thinks both the personal and corporate kickers are "dumb" fiscal policy but that politicians are targeting the corporate kicker because it's "lower-hanging fruit."

"If you only go after the corporate kicker, that's not going to rile up the citizenry against you," Sheketoff said.

The talks among business leaders were begun at the behest of Kulongoski, who wants advice from them about shrinking the corporate kicker or even abolishing it.

Although Kulongoski personally would favor using the corporate kicker money for Head Start and other preschool programs, he said he wants the business community to come to a consensus about where the money would best be directed.

Joe Schweinhart, a fiscal policy analyst for Associated Oregon Industries, the state's largest business lobbying group, confirmed that those talks are continuing, although he declined to say whether an agreement is near.

"It's premature to talk about it," Schweinhart said.

The kicker law was passed by the Legislature in 1979, partly in hopes of heading off a property-tax limit such as the Proposition 13 measure passed by Californians.

The kicker law stipulates that when income-tax collections exceed state economists' estimates by 2 percent or more, all of the excess must be returned -- or "kicked" back -- to taxpayers.

Any move to reduce or repeal the corporate kicker will face strong resistance from anti-tax activists such as Jason Williams of the Taxpayers Association of Oregon.

Williams said that going after the kicker law would be a first step in raising taxes.

"The kicker represents unexpected and overcollected tax dollars. That money doesn't belong to the politicians," he said.

Critics of the kicker law have long argued that it hampers sound financial planning and prevents the state from investing the excess income tax revenue in education and other

programs when economic times are good.

Sheketoff, the Silverton think-tank spokesman, said the corporate kicker is especially boneheaded because 86 percent of the corporate refund will go to multistate firms -- meaning that most of the money goes out of state.

"The corporate kicker law makes no sense because that money is leaving the state and doing us no good," he said.

A lot of people seem to agree with Sheketoff.

In a statewide survey conducted by Portland pollster Bob Moore, 62 percent of those asked said they would favor eliminating the kicker income tax rebates for corporations and redirecting the money to public schools. Twenty-nine percent opposed the idea in the poll of 400 registered voters, which was taken March 9-10 and has a margin of error of 4.5 percentage points.