

The Oregonian

House votes to cancel corporate rebates to build rainy day fund

\$300 million: Most Republicans join in the vote, but the savings plan still faces an edgy Oregon Senate

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By BETSY HAMMOND

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SALEM -- Most House Republicans and all Democrats voted Thursday to cancel nearly \$300 million in corporate tax rebates to build Oregon's first comprehensive savings account to help weather lean economic times.

The House vote marks the first time in 16 years that a majority of Oregon Republicans lined up to raise taxes. They did so in part because business lobbyists urged lawmakers to take their tax rebate and plow it into a new rainy day fund.

The plan still must pass the Senate, where it would need at least one Republican vote.

Senate Republicans, who want bigger tax breaks in return for the kicker, staged a theatrical afternoon no-show that blocked progress for two hours. The governor's office sent state police to summon Sens. Roger Beyer, R-Molalla, and Frank Morse, R-Albany, from an Oregon State University baseball game so the Senate could introduce the rainy day bill.

That was called off when Senate Minority Leader Ted Ferrioli, R-John Day, agreed to end the standoff by returning to the Senate floor. He wouldn't say whether his entire caucus will vote against the deal next week.

The plan would give state government, whose savings consist of just \$200 million in a school emergency fund, an additional \$300 million savings account by the end of this year.

Oregon -- with the nation's most volatile tax system -- could draw on the money to avoid the kind of budget chaos that closed schools and cut state services four years ago.

The plan needed 40 votes to pass in a chamber where Democrats hold a 31-29 edge. After two days of secret negotiations on the issue, the bill easily cleared that, garnering 48 yes votes.

To keep Republicans on board, Democrats dropped a tandem proposal to raise the corporate minimum tax and lower estate taxes, after businesses complained the higher minimum tax rates were unfair.

Both parties pledged to forge a more acceptable proposal this session to raise the corporate minimum tax, which has been \$10 since 1931.

When crafting the bipartisan rainy day plan, Republicans got Democrats to agree to keep alive \$25 million in rebates for corporations that sell less than \$5 million in Oregon this year. The other \$290 million in rebates slated for corporations that sell larger volumes would be canceled.

Rep. David Edwards, D-Hillsboro, praised both parties' leaders for agreeing on a "Solomon-like compromise. . . . Where there were differences, leadership saw fit to split them down the middle." He predicted the vote would renew voter confidence that lawmakers would put public purpose ahead of partisanship.

House Minority Leader Wayne Scott, R-Canby, was triumphant after two-thirds of his caucus voted for the plan.

"We've fulfilled our pledge to create a rainy day fund," he said. "This is a win for Oregon and a win for small business."

Soon after the House passed the plan, Senate Republicans walked out of their chamber, blocking the bill from being entered onto the Senate's agenda for two hours. But House Majority Leader Dave Hunt, D-Gladstone, said that despite the staged display "we are confident it will go through the Senate."

Ferrioli said Senate Republicans want the plan to include lower estate taxes, but Democrats refuse. He complained Senate Republican views were overlooked by framers of the plan.

But he would not say whether his caucus will stand together to kill the plan, calling that "a doggone good question."



The plan would need to clear the Senate and get the governor's signature by Thursday to beat out a competing plan to ask voters to permanently repeal the corporate tax credit. That backup plan, which would put the question on the May 15 ballot, has been approved by the Senate and awaits a House vote.

Former House Speaker Karen Minnis, R-Wood Village, left the House for the day just before Thursday's big vote, reporting she was ill. Minnis, who spent \$1 million on a re-election campaign that she won by about 3 percentage points, did not say how she would have voted.

Of Republicans present, 18 voted yes and nine voted no. Among metro-area lawmakers, only Linda Flores, R-Clackamas, voted no on the plan.

Voting yes were Scott, the majority leader; Scott Bruun, R-West Linn; Jerry Krummel, R-Wilsonville; John Lim, R-Gresham; and Patti Smith, R-Corbett.

Gov. Ted Kulongoski praised the bipartisan cooperation: "Despite some challenges, the House leadership in both parties never stopped talking or working together to deliver fiscal stability and security for the citizens of Oregon."

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