

The Oregonian

Public Employees Retirement System: Portland's proposed street income tax wouldn't apply to PERS recipients

*By Andrew Theen
September 24, 2014*

If the Portland City Council votes to approve a progressive income tax for road maintenance and safety projects in November, not all Portlanders will feel the pinch.

Residents whose sole income is from Oregon's Public Employee Retirement System would not have to pay an income tax for street funding projects, city transportation officials confirmed Tuesday.

"Because we're local government," Dylan Rivera, Portland Bureau of Transportation spokesman said Tuesday, "we can't tax PERS."

The exemption for Portland residents with just PERS, Social Security, or Federal Employee Retirement System benefits is just like the one for the city's voter-approved Arts Tax.

The street fee proposal currently in play calls for a bracketed progressive income tax that could charge some households up to \$2,400 annually.

A volunteer committee of low-income and nonprofit advocates gave strong approval to the concept last week.

Rivera said state and federal laws prohibit local governments from taxing state and federal benefits, binding the city's hands.

According to PERS, some 15,582 PERS recipients lived in Multnomah County as of the 2013 tax year and accounted for \$488,189,826 in annual payments. The average individual annual benefit was \$31,330. PERS officials said the state didn't immediately have data available for how many recipients lived in Portland.

The income tax plan is a new development in the city's quest for more road funding, although the city tested the waters and polled on the possibility of a tax earlier this summer.

In May, transportation Commissioner Steve Novick and Mayor Charlie Hales revealed their plan to bring in \$53 million annually for long-deferred street maintenance and safety projects. The proposal included a flat fee on households, with discounts for low-income residents and apartment dwellers. Businesses were to be charged according to estimated trips generated to their doors, a calculation dependent on an arcane transportation manual.

Novick and Hales argued that because everyone uses the transportation system everyone must pay his or her fair share.

But Novick and Hales tabled the plan in June. Work groups met all summer to try and improve the street fee idea.

They wrapped up their work last week having shifted the focus to fees on businesses and an income tax on households. The new proposal's passage isn't guaranteed by any means. Novick said earlier this month that the work groups served strictly in an advisory fashion.

Ironically, the previous street fee for residents would've applied to PERS, FERS and social security recipients, Rivera said, regardless of their income. Why? Because it was a fee, not a tax based on income.

Some retirees would still pay under the income tax proposal, which is expected to bring in \$20 million in gross revenue from households.

"A lot of retirees are collecting social security and working, so their income from working is taxable," Rivera noted.

The City Council is expected to hold a work session in late October on the final funding plan before a Nov. 12 vote.

With street fee vote looming, Steve Novick wants City Council to pony up money for transportation

*By Brad Schmidt
September 23, 2014*

As a vote looms on a controversial street fee, Portland Commissioner Steve Novick would like to secure as much as \$7 million from the city's general fund to beef up the City Council's commitment to transportation projects.

For months, city officials have been eying a projected general fund carryover to help show business leaders and residents that the City Council is willing to pony up discretionary money to repair city streets and build sidewalks.

New financial projections show that Portland will have about \$8.9 million to divvy up this fall. Portland budget officials crafted a conservative estimate that about \$19.3 million from the previous fiscal year would be carried into the current budget, but that number is now expected to be about \$8.9 million higher than forecast.

Novick initially said he was reluctant to put any specific target on general fund money that he would like to earmark for transportation. But when pressed, Novick said he'd like to secure \$7 million – not necessarily all of it this fall.

"Let's say \$7 million," Novick said earlier this month, before leaving the country on his honeymoon. "I'd feel good about an additional \$7 million."

Funding requests for the estimated \$8.9 million general fund windfall are due Sept. 30. The Portland Mercury first reported the new carryover estimate.

City policy requires that at least 25 percent of carryover funding be spent on maintenance or replacement projects.

Chris Warner, Novick's chief of staff, said the bureau will ask for several million dollars, although no specific request has been decided. Within City Hall, \$4.5 million has been widely floated for transportation spending.

Novick said he knows that some community leaders will want to see "some level of commitment" to fund transportation projects from the general fund in advance of City Council's scheduled street-fee vote in November.

"Hopefully," Novick said of a fall commitment by City Council, "that would be good enough."

The City Council has traditionally used its general fund to pay for police, fire and parks services. The Portland Bureau of Transportation largely relies gas tax money and parking revenue.

Only about \$9 million from the general fund went to the Portland Bureau of Transportation last fiscal year, with more than half of that earmarked for street light operations and maintenance.

The City Council attempted to create dedicated funding for transportation projects in the 1980s by adopting a policy for utility license money. But the policy lacked teeth, and the City Council in the 1990s began spending the utility license fees on non-transportation projects.

At the same time, the role of Portland's Transportation Bureau has expanded, including the addition of a streetcar system in 2001.

Novick said he thinks there's a valid argument to be made that the general fund – not transportation – should pick up the \$3 million-plus now spent on streetcar operations.

"With the streetcar, there's a particularly strong argument for it because the streetcar has always been seen largely as a development tool," Novick said.

But Novick said the issue of transferring streetcar costs to the general fund is a non-starter for the City Council.

Alternatively, Novick said, members of the City Council appear far friendlier to the idea of dedicating a slice of general fund money to the Transportation Bureau.

The City Council is tentatively scheduled to vote on a street fee proposal Nov. 12. As of last week, the street fee package could raise up to \$40 million annually, half through an income tax on residents and half through flat fees assessed to businesses.

PERS loophole undermines street tax fairness: Editorial Agenda 2014

*By The Oregonian Editorial Board
September 24, 2014*

There aren't many good things to be said about Portland's arts tax, but here's one. It's reminded Portland residents – painfully – that proposed taxes may not be what they seem. Such is the case, it turns out, with the use of an income tax to generate money for street maintenance. As with the arts tax, Portlanders with public pensions would receive special treatment, meaning that a taxing mechanism favored for its fairness would likely produce just the opposite.

As we noted on Tuesday, City Council won't decide how to raise money to repair and maintain streets for more than a month. However, an advisory committee representing nonprofits and low-income people favors a complicated and aggressively progressive income tax mechanism. Taxpayers would begin with their adjusted gross income, deduct a few thousand bucks per dependent, then locate their position in one of several income brackets. Joint filers who make less than \$30,000 would pay nothing, and those on the top end, who make at least \$500,000, would pay a whopping \$2,400 per year.

The problems with this particular alternative, we argued, include its complexity and its excessively progressive design, which treats higher earners so abusively that they're likely to avoid Portland altogether. But there's another problem with using an income tax, regardless of how the burden is distributed among income classes. It's one the city discovered after voters approved the arts tax in 2012.

The arts tax was supposed to collect \$35 per year from every income-earning adult living in a household above the federal poverty line. That meant someone who made, say, \$20 per year would have to pay a tax of \$35, a result so bizarre that commissioners soon created a \$1,000 income threshold.

This change, however, brought into play some exemptions city officials apparently hadn't given much thought. Oregon cities may not tax income from a small number of sources, including Social Security and federal and state public pensions. In order for the tax to apply to a PERS recipient, in other words, he or she would have to have at least \$1,000 in other income. Because this is not always the case, many people with generous public pensions do not pay the arts tax even as those with private sector retirement plans must. This double standard doesn't sit well with lots of taxpayers, some of whom have asked us whether an income tax for road maintenance would feature the same inequity.

In a word, yes. As envisioned by the city, people would subtract state and federal public pension benefits from their adjusted gross income before determining how much money they owe, just as they do with the arts tax. As a result, it's likely that many people with significant incomes would pay nothing at all.

Imagine a couple, filing jointly, both of whom retired under PERS after 30 years. If each collected the average benefit of similarly experienced employees who retired in 2013, their combined income would amount to \$94,824. If that income counted for road tax purposes, they'd pay \$96 per year under the low-income and nonprofit committee's favored plan. In reality, they'd pay nothing unless they had significant additional income from another source.

The reason some people would prefer to collect road maintenance revenue by using an income tax rather than, say, a household fee is that the former is progressive. It's designed to tax people according to their ability to pay, with those who make more taxed more heavily. This purpose fails miserably, though, when people collecting generous public pensions get a pass, as they do already under Portland's arts tax.

Any attempt by the city to design an income tax that treats other retirement income as it treats public-sector retirement income would probably push an already complex tax to Rube Goldberg extremes. City Council would be better off scrapping the income tax entirely and considering simpler, less exotic alternatives.

The Portland Tribune

Critics bash city planners for reviving west Hayden Island industrialization

*By Steve Law
September 23, 2014*

Plans for marine terminals on west Hayden Island are back on the table — but not if neighbors and environmentalists have their way.

A parade of critics bashed the Portland Bureau of Planning and Sustainability Tuesday night, charging it with a “back door” effort to revive industrial development on the island.

City planners, in a draft of Portland’s new comprehensive land use plan, included 300 acres on west Hayden Island among the city’s industrial lands available for future development, in order to meet a state mandate to provide such lands for future jobs.

That incensed neighbors and environmentalists, as it came just months after the Port of Portland withdrew its request to have the city annex west Hayden Island and rezone it to allow marine industrial terminals. The port backed off in the face of stringent environmental and other conditions imposed by the Planning and Sustainability Commission.

Tuesday was the first public hearing before the Planning and Sustainability Commission on the city’s proposed new comprehensive land use plan.

Many residents — and some planning commissioners — were miffed that the west Hayden Island issue was back before the commission, but this time without the environmental and other conditions approved late last year by commissioners.

“Others have disregarded the careful work you did over a year ago,” said Hayden Island resident Timme Helzer. Now city planners are wanting to go in the “opposite direction” from where planning commissioners landed last year, he said.

“The Port of Portland is the bully in the sandbox here; it found another way to get what it wants,” said Pam Ferguson, who represents 440 families living in a manufactured home park blocks from the potential marine terminals.

Greg Tyson, a planner for the Port of Portland, told commissioners it’s important for the city to preserve its options for marine terminals on west Hayden Island, to secure its future as a marine trading center. “Portland’s future hinges on the success of linking to the international marketplace,” Tyson said. “West Hayden Island is an important element of that future.”

Planning and Sustainability Commission Chairman Andre Baugh said the panel will debate the west Hayden Island proposal and other policies in the comprehensive land use plan starting in January.

The “comp plan” is filled with hundreds of policies and land use maps, and the west Hayden Island controversy is but one of many starting to percolate in Portland neighborhoods.

Others testifying Tuesday complained the city wasn’t allowing enough time, or was giving short shrift to citizen participation and neighborhood associations in the new comp. plan.

Others asked for their properties to be zoned differently in the new land use plan.

The next public hearing on the comp. plan will be Oct. 14, at 5 p.m., at Parkrose High School, 12003 N.E. Shaver St.

To learn more about what’s in the comp. plan: www.portlandmaps.com/bps/cpmapp2/