KICKER SHOULD BE KICKED TO THE CURB
March 30, 2006

When Oregonians created the rebate in 1979, we were telling government, "we don't trust you with an extra nickel of our money." But today, the rule that says the state must return any revenue that exceeds 2 percent of the forecast seems unreasonably narrow, and because it stands in the way of an opportunity to establish a budget buffer, it's a rule that has become a destabilizing factor.

The kicker was designed as a way to restrain a rapidly growing state budget, but it hasn't really worked. In the 1990s, the state budget grew at double-digit rates because the legislature anticipated and budgeted for the growth. There are better ways to curb runaway spending.

The dirty little secret about the *corporate* kicker is that few would miss it if it were gone. To outside businesses and many local firms as well, Oregon's quirky one-of-a-kind law is standing in the way of a virtually painless opportunity to fund a rainy day fund.

It seems a bit punitive and shortsighted to pounce on anything exceeding a 2 percent glimmer in Oregon's revenue picture. The fact that things are improving is good news for Oregon. Keeping prior year revenue is not a new tax, and no one is being asked to pay a penny more. At a minimum, the kicker ought to be adjusted upward.

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Currently, it looks like voters would be comfortable punting at least the corporate kicker. In a poll last November, my firm asked Oregon voters whether they would favor or oppose an initiative to eliminate the *corporate* kicker.[1] By nearly a three-to-one margin, voters favored the idea (61 to 21 percent, with 18 percent undecided). Those who favor doing away with the corporate rebate include a majority of every major constituency, including Republicans.

Despite broad voter support for the change, there's probably no such thing as an easy tax issue. But even those who have pledged to oppose new taxes should recognize that this surplus raises no one's taxes; it's simply people and businesses paying what they agreed they owed at the time.

Some would push to spend every penny, but that doesn't enhance stability either. Without a doubt, the debate about the appropriate use of a rainy day fund would be fierce. Maybe we could make a deal with the legislature: when times are good, the state keeps the surplus, but when revenues are off a bit, don't come looking for new taxes.

Living hand-to-mouth is as disruptive for the state as it is for families. If we could use the current surplus to establish a rainy day fund, then kicking the quirky kicker to the curb would be a smart move for Oregon.

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[1] Riley Research Associates conducted a statewide scientific poll of 476 registered Oregon voters (margin of error: +/-4.45%); the poll was conducted in November of 2005.