# Governance, Costs, and Revenue Raising to Address and Prevent Homelessness in the Portland Tri-County Region

**A report by the Portland State University Homelessness Research & Action Collaborative, & Northwest Economic Research Center**

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# III. REVENUE-RAISING OPTIONS

The previous section of this report estimated the potential cost of providing the supports, services and housing necessary to eliminate homelessness and rent burden in Clackamas, Multnomah, and Washington counties. This section examines revenue sources available to local governments that could fund these solutions, describes various governance challenges inherent in public projects of this magnitude, and provides estimates of necessary tax rates and fees to reach $100 million in tax revenue by revenue source.

Typical criteria for analyzing policies and revenue generation options from an economic perspective include: efficiency, equity, effectiveness, and political feasibility (see sidebar for definitions). However, each of those criteria depend on the specific policy. Since this section of the report only discusses policies in their broadest sense, economic impacts are left for future analysis when more policy details are known.

**Economic Criteria**

**Efficiency:** The most common economic criteria, efficiency signifies the relationship between costs and outputs. An efficient policy would produce the most output (e.g. affordable units) for the least cost (e.g. tax dollars) compared to feasible alternatives.

**Equity:** Equity captures the concept of fairness, and is typically used with regards to the distribution of resources across a population. An inequitable policy would distribute goods "unfairly" across income groups, race, or other category.

**Effectiveness:** Effectiveness refers to how well the policy objectives are met. Often confused with efficiency, effectiveness is about doing "the right thing", while efficiency is about "doing the thing, right".

**Political Feasibility:** How likely the policy will succeed in the political arena.

In particular, we urge a robust consideration of the equity of any revenue proposal. A key component of equity is a tax policy's regressivity, or how much of the tax burden is borne by the poor. A highly regressive tax would put more financial stress on those with the highest risk for becoming homeless, potentially undermining the policies and programs discussed in the first part of this report. Sales taxes are considered regressive because the cost of all goods increase, taking a larger percentage of income from poorer taxpayers. States sometimes dampen this effect by exempting necessities—such as food—from the tax. This illustrates that the specifics of any policy would need to be considered before any useful comparisons could be made. For example, an income tax could be constructed with progressive tax brackets (as it is at the Federal level) or proportionally with a flat tax rate (as is the case in many states). Similarly, a gross receipts tax could be considered either regressive or progressive depending on what businesses have to pay the tax.

## Key Takeaways

We identified the following key takeaways:

- Any revenue-raising option should account for equity and regressivity. A decision-making framework driven by careful analysis of disparate impacts on different demographic and geographic groups must be part of any revenue-raising measure. Revenue raising should not worsen circumstances for marginalized community members.
- Raising revenue across the tri-county area will lead to greater coordination, and a firm commitment for all relevant actors; however, greater levels of coordination will take more time to implement. Note that Metro's boundaries do not extend to all of the counties' boundaries.
- There are multiple ways for localities to raise revenue. We focused on eleven possible tax options. The summary table of those options follows:

Table 3.1: Revenue-raising options summary

| **Tax Policy** | **Description** | **Relevant examples** | **Tax Base** | **Tax Rate/Fee to reach $100 Million** |
|---|---|---|---|---|
| Corporate Tax | A tax on business profits | Exists in Oregon, Multnomah County, and Portland | Clackamas and Washington County Business Profits | $91.5 million by expanding Multnomah BIT to Clackamas and Washington |
| Business License Tax or Fee | A fee charged per establishment | City of Portland Business License Tax | Business Fee | $1,755.54 |
| Gross Receipt Tax | A tax on business revenue | City of Portland and San Francisco | Business Revenue | 0.055% (0.056% excluding groceries) |
| Sales Tax | A tax on a good or service levied at the point of sale | Does not exist in Oregon, but most other states | Price of Purchased Goods | 1.45% |
| Individual Item Tax/Luxury Tax | A tax on a specific good, levied at the point of sale | Exists in Oregon in the form of sin taxes | Retail Price of the Good (Unit or Ad Valorem) | Varies significantly by good (see pg. 107 for details) |
| Flat Rate Tax | A tax on individual income | Portland Art | Tax filers | $119.78 per taxpayer |
| Payroll Tax | A tax on wages paid out by all businesses | TriMet Payroll and Self-Employment Tax | Payroll Wages | 0.176% |
| Income Tax on the Highest Earners | Increases in income tax rate for top earners | California "Millionaire's Tax" | Tax filers with AGI over $250 thousand | 0.505% of adjusted gross income |
| Bond Measure | Funded through an increase in property taxes | Metro Affordable Housing Bond Measure | Assessed Property Values | ---------------------------- |

| | | | | |
|---|---|---|---|---|
| Reset Assessment of Commercial Assessed Values | Increase in taxable property value | --------------------------- | Commercial Properties | $352 million in revenue from Multnomah County alone |
| Real Estate Transfer Tax | A tax on property sales and transfers | Washington County Transfer Tax | All Property Sales | $6.52 per $1,000 in sale value |

## What Constitutes Revenue

Before discussing potential revenue streams, it is important to define what counts as revenue in the context of this report. The revenue streams discussed below only work for the costs of homelessness assistance or rent burden relief. Tax revenue policies that include funds for multiple uses, such as K-12 or parks and recreation, might gain greater political support. Rather, we address taxes which have a specific expenditure requirement in Oregon—e.g. gasoline taxes. This report only includes those revenue streams that could be applied to homelessness. Policies or programs that do not explicitly raise revenue—such as a declaration of a public health emergency—are also excluded.

## Revenue Sources

Of the revenue sources available to regional and regional governments, taxes provide the most revenue,[1] and are the focus of this report. Pertinent taxes include:

- Corporate income taxes
- Gross receipt taxes
- Sales taxes
- Individual item taxes (e.g. Coffee tax)
- Income taxes
- Property Taxes and Bond measures

These are broken down in more detail below; however, it is important to note that many of these forms of taxes exist in the Portland Metro area and its constituent counties already. This highlights a challenge: coordinating additional taxes and spending across Clackamas, Multnomah and Washington counties under the constraints of various legal requirements placed upon Oregon's governing bodies.

## Governance

Governing revenue-raising effects is an important part of administering how raised revenue is spent. There are several ways the three Portland Metro counties can go about raising revenue.

[1] Theoretically, any source of revenue could provide enough revenue, however fees or taxes on relatively few individuals would require a prohibitively high value to generate the $100 million objective (e.g. business license fees/jewelry tax).

First, each county could act independently. This requires the least coordination which makes it the most easily adoptable strategy, and would allow programming and services for all parts of the county. Unfortunately, this lack of coordination makes it more difficult to coordinate the spending side and raises the possibility that enough revenue is raised in one county but not enough in another. Second, the region's local governing body—Metro—could raise the revenue and operate the spending program for the three counties. This removes the coordination problem, but may require a charter review of Metro's scope and will not serve all of the counties' geographies.[2] Lastly, the three counties could form a new Special Service District to address homelessness; however, special districts can only be for specific services (housing or homelessness is not listed as an option).[3] The requirements for creating a special district are many, and would likely take some time to fulfill.[4]

# Revenue Sources

This section describes eleven potential revenue sources with a focus on how various governing bodies have utilized them and estimates for what the rate/fee would have to be to reach $100 million in tax revenue (for feasible sources).

## Corporate Income Taxes

Corporate taxes are taxes on business profits (net income). Oregon's state government exacts a corporate tax on C-corporations and, more pertinently, the City of Portland and Multnomah County also exact corporate taxes (on C-corporations and other business types).[5] The income that Portland and Multnomah treat as taxable is based on the business's proportion of gross receipts in the area, relative to its activities everywhere else, and the tax is paid based on net-income (profit).[6] Portland's rate of 2.2% and Multnomah County's rate of 1.45% generated $134 million[7] and $93.4 million[8] in fiscal year 2018, respectively. Businesses with less than $50,000 in gross receipts from all activities everywhere are exempt from this tax.

2 Metro's district boundary does not match county boundaries. The affordable housing bond can only be spent within the boundaries.

3 Oregon Secretary of State Bev Clarno. (n.d.) *Special service districts.* Retrieved from https://sos.oregon.gov/blue-book/Pages/local/other-special.aspx

4 Oregon Legislature. (2017). *Chapter 198. Special districts generally miscellaneous matters 2017 edition: Special districts generally.* Retrieved from https://www.oregonlegislature.gov/bills_laws/ors/ors198.html

5 Portland's corporate tax is called the City of Portland Business License Tax, while Multnomah's is called the Multnomah Business Income Tax (https://www.portlandoregon.gov/revenue/article/216081). Despite the different names, they operate similarly.

6 Wingard, R. & Freeman, C. (2013). *Portland and Multnomah Business Tax.* Retrieved from: https://www.osbplf.org/assets/in_briefs_issues/Portland%20Multnomah%20Business%20Tax%20April%202016%20In%20Brief.pdf

7 Rinehart, T. & Cooperman, J. (2018). *Comprehensive annual financial report for the fiscal year ended*. Bureau of Revenue and Financial Services, p 3. Retrieved from https://www.portlandoregon.gov/omf/article/701632

8 Multnomah County, Oregon. (2018). *Comprehensive annual financial report*, p 6. Retrieved from https://multco.us/file/77203/download

Options for generating revenue through a corporate income tax include: 1) the adoption of a similar corporate tax in Clackamas and Washington Counties; 2) increasing the corporate taxes in Multnomah and Portland; or, 3) some combination of both. However, there are a few problems in adopting this approach. Currently corporate taxes are not earmarked for particular spending in Multnomah or Portland, and there is no guarantee new revenue would be spent on homelessness unless the current law was changed, or the new tax structure was treated independently. Similarly, it would be difficult to coordinate both the new corporate tax system and spending on homelessness without the direction of Metro or another new Special Service District, since each of the counties would have to pass and manage the legislation separately. This could lead to businesses locating to the county with the smallest corporate tax rate.[9] However, there are certain revenue generation structures—such as the urban renewal districts—that have dedicated special funds.[10] In these cases, expenditures are earmarked very specifically, which can be beneficial from the standpoint of political accountability; however, the restrictions remove flexibility.

Since a corporate tax already exists for Multnomah County, adopting a corporate tax in Washington and Clackamas Counties has slightly less revenue potential. To generate an estimate of the extra revenue from expanding Multnomah's Business Income Tax to the other two counties, we first assume that any additional revenue would be proportional to the wages paid out in that county. In other words, if the wages in one county are 50% of the wages of Multnomah, then that county would generate 50% of the business income tax revenue of Multnomah County. Using this method, we estimate that expanding the Business Income Tax of 1.45% to Clackamas and Washington Counties would result in $91.5 million in revenue.

Another option is to charge a flat business license tax (or fee) to businesses above a certain level of revenue. Revenue and establishment counts for Oregon are aggregated for the entire state. To focus the counts to the three counties, we assume that establishments are distributed according to wage payments. In other words, since 59.1% of Oregon wages are paid within the area, we assume the three counties also account for 59.1% of Oregon business establishments. This amounts to around 57,000 of the state's over 96,000 establishments. The table below shows the rates required to generate the desired $100 million in tax revenue, broken down by level of sales. To generate $100 million in annual revenue for homelessness spending, each business would need to be charged $1,755 per year, with payments dramatically increasing if only charged to businesses with higher sales (see figure below). Because businesses above this level of sales are likely to be more concentrated within Multnomah, Clackamas, and Washington Counties, the higher business license fees are likely to be overestimates to some degree.

[9] Papke, L. (1991). Interstate business tax differentials and new firm location: Evidence from panel data. *Journal of Public Economics*, 45(3), 47-68.
[10] Prosper Portland. (2019). Urban Renewal [web page]. Retrieved from https://prosperportland.us/what-we-do/urban-renewal/

Table 3.2: Business License Fees

| Business License Tax Base | Fee per Business |
|---|---|
| All Corporations | $1,755.54 |
| Corporations with over $25 million in revenues | $99,542.86 |
| Corporations with over $50 million in revenues | $199,437.88 |
| Corporations with over $100 million in revenues | $428,160.31 |

## Gross Receipt Taxes

Like corporate taxes, gross receipt taxes are also charged to businesses. The key difference is that instead of taxing profits, the tax is on total revenue. This leads to a different group of business being taxed. Under a corporate tax, industries with large profit margins (such as the financial industry) tend to bear more of the burden. Under a gross receipts tax this is flipped, and low-margin industries (such as the retail industry) tend to carry more of the weight.

In 2018, the City of Portland passed the Portland Clean Energy Community Benefits Initiative which "requires large retailers (those with gross revenues nationally exceeding $1 billion, and $500,000 in Portland) to pay a surcharge of 1% on gross revenues from retail sales in Portland, excluding basic groceries, medicines, and health care services.  This is expected to generate between $54 million and $71 million in revenue annually once the program is underway. Since its funds are already earmarked for community-level energy efficiency programs, it cannot be expanded upon to raise revenue to combat homelessness. However, this policy does provide a framework for a new tax as well as an idea of how much revenue could potentially be generated.

The Oregon Corporate Activity Tax (CAT) provides a recent example of a gross receipts tax reserved for specific use. Passed in May 2019, the CAT levies a fee of $250 plus 0.57% of all taxable commercial activity over $1 million.  This is estimated to secure roughly $1 billion annually for early learning and K-12 education statewide. It is important to note that this bill may preclude specific forms of GRTs for localities, and that this analysis offers no interpretation of what types of policies are currently allowed.

The City of San Francisco recently passed a gross receipts tax on businesses with more the $50 million of revenue in San Francisco. It is estimated that 300–400 businesses will be subject to the tax, and that it would raise $250 million–$300 million and is operative as of January 1st, 2019.[11] [12] Notably, these funds are specifically earmarked to combat homelessness. One concern for reproducing such a tax in the Portland Metro region would be that the two areas

[11] City and County of San Francisco. (2018). *Homelessness gross receipts tax.* Retrieved from https://sfcontroller.org/sites/default/files/Documents/Economic%20Analysis/hgrt_economic_impact_final.pdf

[12] City and County of San Francisco Treasurer and Tax Collector. (2019). *Homelessness gross receipts tax*. Retrieved from https://sftreasurer.org/homelessness-gross-receipts-tax-ordinance

have vastly different corporate tax bases, and so the revenue threshold would need to be lowered to achieve a significant source of funding at the same tax rate.

Similar to the business license fee estimates above (page 108), we assume 59.1% of sales revenue occurs within the area to pare down Oregon Department of Revenue aggregate sales revenue to the local level. To generate $100 million, the three counties would need to charge a rate of 0.055% if applied to all corporations.

Table 3.3: Gross Receipt Taxes

| **Gross Receipts Tax Base** | **Gross Receipts Tax Rate** |
| --- | --- |
| All Corporations | 0.055% |
| Corporations with over $25 million in revenues | 0.084% |
| Corporations with over $50 million in revenues | 0.098% |
| Corporations with over $100 million in revenues | 0.120% |

If only corporations with over $50 million in revenue, as in San Francisco, the required rate would be 0.098% of gross revenue. This could be an overestimate, as businesses with higher revenues may be more concentrated within Multnomah, Clackamas, and Washington Counties.

Sometimes groceries are exempt from gross receipt taxes. Using the national ratio of grocery store revenue to all revenue from 2017 (2.1%)[13] and assuming that all grocery retailers gross over $100 million in revenue, NERC estimated that the tax rate on all corporations would be 0.056% to reach $100 million.

Table 3.4: Gross Receipt Taxes (excluding groceries)

| Gross Receipts Tax Base (Excluding Groceries) | Gross Receipts Tax Rate (Excluding Groceries) |
|---|---|
| All Corporations | 0.056% |
| Corporations with over $25 million in revenues | 0.086% |
| Corporations with over $50 million in revenues | 0.102% |
| Corporations with over $100 million in revenues | 0.125% |

## Sales Taxes

A sales tax is a tax on the price of a good or service that, unlike a gross receipts tax, is levied at the point of sale. Oregon is one of five states with no sales taxes and has voted down potential sales taxes nine times.[14] However, there is no law preventing local jurisdictions from adopting a sales tax, even if the state has no such structure. The range of potential revenue raised by a new sales tax is large and is dependent on the size of the base (how many counties or municipalities participate) and the tax rate.

One example of how sales taxes have been used to combat homelessness is Los Angeles County's Measure H. This bill raised sales taxes by one quarter of a cent which, due to the size of the tax base in Los Angeles, is estimated to bring in about $355 million a year.[15] This tax, which went into effect October 2017, is on all sales and the revenue it generates will be used to provide services for the homeless.

Using sales tax data from Texas, a rich source of tax revenue data, we scale the sales tax revenue per person within Austin, to provide an estimate of the revenue from a potential local sales tax. Austin was chosen as its income levels are relatively similar to those of the Metro area, and charges a 1% sales tax on top of Texas's rate of 6.25%. Within the three counties, a sales tax rate of 1.45%, or 1.45 cents per $1, would generate $100 million in tax revenue.

[13] United States Census Bureau. (2017). *Annual retail trade survey.* Retrieved from https://www.census.gov/data/tables/2017/econ/arts/annual-report.html
[14] Oregon's long history of saying no to sales tax. (2019). *Oregon Public Broadcasting*. Retrieved from https://www.opb.org/news/widget/oregons-history-with-sales-tax/
[15] Chiland, E. (2017). Updated: LA County voters approve Measure H: Here's how higher taxes will help the homeless. *Curbed LA.* Retrieved from https://la.curbed.com/2017/3/8/14855430/los-angeles-election-results-ballot-measure-h

## Individual Item Taxes

Specific goods can also face a tax through either a unit excise tax (per unit) or an ad valorem excise tax (based on percentage). One type of individual item tax is known as a “sin tax.” A sin tax has the dual purpose of both raising revenue and, since the associated goods are typically seen as harmful, curbing consumption of the good. Tobacco, alcohol, and marijuana are examples of goods with sin taxes. Over the 2016–2017 fiscal year in Oregon, the cigarette tax raised over $205 million, taxes on beer and wine raised over $18 million, and the tax on marijuana raised over $74 million.[16]

However, an individual item tax does not need to be on a harmful good. For example, the Oregon Legislature briefly considered a coffee tax in 2017.[17] One difficulty with individual item taxes is that legislatures often seek to tie the source of revenue to the purpose for raising it. For example, the Portland Gas Tax is used for road repairs, pedestrian safety, and the like.[18] The amount of revenue generated by an individual item tax can range from inconsequential to very significant, depending on the good, the tax base, and the tax rate. One specific example is the sugary drink tax that is now in place in a number of cities. For example, Philadelphia’s tax of sweetened beverages at a rate of $0.015 per ounce produced $78.8 million over 2018.[19]

To give a ballpark figure for how much an individual item tax could raise in Portland, consider a $0.05/unit excise tax on coffee. Assuming that every adult in the tri-counties (1,459,274 as of July 2018)[20] buys on average one cup of coffee a week, then that would generate $3.8 million in revenue on an annual basis.

## Luxury Taxes

Luxury taxes are a subset of individual item taxes levied only on goods deemed non-essential. This typically take the form of an ad-valorem tax and is passed to the consumer at the point of sale. For example, the U.S. imposed a nation-wide 10% luxury tax in 1990 on several products including private boats, jewelry and furs. Each good was only considered a luxury item after a certain value (i.e. jewelry and furs costing over $10,000).[21] However, these taxes were collectively repealed by 2002.

16 Legislative Revenue Office. (2018). *2018 Oregon Public Finance: Basic Facts*, Retrieved from https://www.oregonlegislature.gov/lro/Documents/2018%20FINAL%20-1.pdf
17 CBS News. (2017). Oregon legislature considers coffee tax, officials say. *CBS.* Retrieved from https://www.cbsnews.com/news/oregon-legislature-considers-coffee-tax/
18 Njus, E. (2018, February). Portland gas tax brings in more than expected. *The Oregonian.* Retrieved from https://www.oregonlive.com/commuting/2018/02/portland_gas_tax_collects_more.html
19 Burdo, A. (2018, January). First full year of soda tax revenue puts city $13M+ short of goal. *Philadelphia Business Journal.* Retrieved from https://www.bizjournals.com/philadelphia/news/2018/01/26/philly-beverage-tax-soda-tax-pbt-2017-year-revenue.html
20 Population Research Center. (2019). Population estimates and reports. Portland State University, College of Urban and Public Affairs. Retrieved from https://www.pdx.edu/prc/population-reports-estimates
21 United States General Accounting Office. (1992). *Tax policy and administration: Luxury excise tax issues and estimated effects* [PDF file]. Retrieved from https://www.gao.gov/assets/220/215770.pdf

Today, there are few remaining states with outright luxury taxes. New Jersey implemented a Luxury and Fuel Inefficient Vehicle Surcharge in 2006. Under this tax, new vehicles priced over $45,000 or that have an EPA rating less than 19 miles per gallon are charged an additional 0.4%.[22] Some states, like California, tax luxury items such as boats and aircraft as property based on market value of the vessel.[23] There is little uniformity among "luxury taxes" and most states do not collect revenue data from their luxury items separate from their general sales and use taxes. This makes any quantitative analysis of the revenue potential difficult. Moreover, there is little evidence that any state without a general sales tax has successfully imposed a luxury item tax. Montana came the closest with their 2017 "Ferrari tax" which would have imposed a 0.08%–1.0% tax on all new vehicles sales over $150,000. However, this version of the bill did not actualize and instead was settled with an increase in vehicle registration fees. As of today, none of the five states without a statewide sales tax have imposed a luxury item tax.

Keeping the above challenges in mind, we calculated the rate a potential luxury item tax would need to be charged to reach $100 million in revenue using Illinois Department of Revenue Sales Tax Statistics for fiscal year 2018.[24] The data is divided by standard industrial classification (SIC) codes, of which we analyzed several goods that fall reasonably into the definition of luxury (jewelry, recreational vehicles, motorcycles, etc.). First, we analyzed jewelry stores, as this industry had the highest state sales tax revenue of all the "luxury" industries in FY 2018. We took the roughly $32 million in state tax revenue, scaled it up by the 6.25% state tax rate, and then proportioned it down to what might be feasible to generate within Clackamas, Multnomah, and Washington counties—this came out to roughly $74 million. In order to generate enough revenue to meet our $100 million goal, all goods within this industry would need to be charged a 135.2%.

Next, we combined the revenue for each "luxury" good industry and performed a similar analysis. These industries are: jewelry, aircraft, boats, motorcycles, and R.V.s. This resulted in an estimated $136 million in sales for the tri-county area. Again, to reach our target revenue this would require a tax rate estimated at 73.6%. We emphasis that spending patterns on these items vary state by state and that this analysis is based on rough data that does not account for the consumer response to higher prices (which would be significant).

## Income Taxes

Oregon is one of the many states that taxes income, which provides the primary source of revenue for the state government. One of the key methods for implementing an income tax is withholdings, which is managed through the payroll system. Counties or other jurisdictions have

22 State of New Jersey. (2017). *Luxury & fuel inefficient vehicle surcharge*. Retrieved from https://www.state.nj.us/treasury/revenue/njbgs/luxvehs.shtml

23 Los Angeles County. (2019). Boats and aircraft: Other property [web page]. Retrieved from https://assessor.lacounty.gov/boats-and-aircraft/

24 Illinois Revenue. (2018). *Sales tax statistics by annual year.* Retrieved from https://www2.illinois.gov/rev/research/taxstats/SalesTaxStatistics/SitePages/SalesTaxYear.aspx?rptYear=2018

the option of increasing revenue by adding onto the current payroll tax, much like Multnomah County did in the early 2000s to increase funding for schools after state budget cuts.[25] Passed in 2003, this measure raised an estimated $128 million annually for three years through a 1.25% income tax.[26]

## Flat Rate Income Tax

A flat tax (or head tax) on income taxes individuals at a constant rate. A true flat rate taxes all individuals at the same level regardless of their income. In order to generate $100 million in revenue using a head tax, each household in Clackamas, Multnomah, and Washington counties would be charged $119.78, tacked on to their annual income filing. If levied at the individual level, the fee drops to $54.38. Using Oregon Department of Revenue's 2017 report on income tax statistics, we calculated the household fee by dividing the $100 million target revenue with the total number of returns filed for the three counties, and used the total population in similar process for the per capita head tax. The individual head tax would disproportionately affect families as each tax-filing member's fee would be multiplied how many dependents they claim. For example, a joint-filing family of five would pay a total of $271.90 under this option.

Additionally, this tax is regressive as it taxes lower income individuals at higher rates than their higher earning counterparts. Under the household case, the bottom 20% of earners would pay an average of 0.70% more of their income than the top 20%, whereas the middle quintile would be responsible for 0.12% more than the top earners.

## Proportional Income Tax

To mitigate these discrepancies we also analyze the case of a proportional tax (i.e. a head tax that varies across income levels). For this analysis we use U.S. Census Bureau's income quintile distribution for each county, alongside the Oregon income tax statistics employed in the previous section. We calculated a rate for each county that, when applied to the mean household income for each quintile, sum to generate the desired $100 million across the tri-county area.

To illustrate using Multnomah County, each household would be charged 0.14% of the mean income for their respective quintile. This amounts to a $17.15 tax for the bottom 20%, $84.98 charged to the middle 20%, and a $299.82 flat tax levied on those in the top income group. The rates are similar for Clackamas and Washington counties, each requiring a 0.13% income tax to produce their share of the target revenue. While this proportional flat tax remains regressive

[25] Dillon, S. (2003). Portland voters approve Oregon's only county income tax, aiding schools. T*he New York Times*. Retrieved from https://www.nytimes.com/2003/05/22/us/portland-voters-approve-oregon-s-only-county-income-tax-aiding-schools.html
[26] Multnomah County. (2003). *May 2003 special election - Multnomah County - Measure No. 26-48*. Retrieved from https://multco.us/elections/may-2003-special-election-multnomah-county-measure-no-26-48

within each quintile group, it negates the variation between income quintiles seen in the analysis of a true flat tax.

## Income Tax on Highest Earners

In 2010, Oregon voters passed two referenda, Measure 66 and 67, that increased taxes for businesses and high-earning households. Measure 66 increased the tax rate to 9.9% for joint-filers earning more than $250,000 and for single-filers with an income higher than $125,000 in order to help make up for the state budget deficit following the recession.[27] Along this line of thinking, we have calculated how much the tax rate on top earners would need to increase in order to cover $100 million in revenue for homelessness projects. Using Oregon Department of Revenue's 2017 Personal Income Tax Statistics, we found the aggregate adjusted gross income of those earning more than $250,000 across the three counties was just over $19.8 billion. To reach the target revenue this figure would be taxed at a rate of 0.505%, meaning the rate on the 33,770 top earning households across the tri-county would need to increase to roughly 10.41%.

California is one state leading the charge on aggressive tax hikes for high income earners. Their "millionaires' tax," passed in 2005, increased their highest rate to 10.3% for those in the top income threshold. This rate was further increased to 13.3% in 2012, the highest rate in the country. This increase raised an estimated $8.1 billion for budget year 2018–2019[28].

## Payroll Tax

Payroll taxes are paid by employers based on their employees' wages. The TriMet Payroll and Self-Employment Tax is an example of a local application of a payroll tax. Currently, employers pay 0.7637% of wages toward mass transit district funds.[29] While the TriMet Tax applies only to businesses within their service area, applying the payroll tax to the three counties expands the tax base, allowing for relatively lower tax rates. A payroll tax of 0.176% on wages paid within Clackamas, Multnomah, and Washington Counties would raise the desired revenue for homelessness programs. Using 2017 QCEW data, we assume the shares of wages by establishment size for the entire US is representative of the local area. The table below displays our estimates of this rate if only applied to establishments above a certain size. For example, a tax of 0.264% charged on the payroll of establishments with 50 or more employees would generate $100 million in homelessness project revenue.

27 State of Oregon. (2009). *Measures 66 and 67*. Legislative Revenue Office. Retrieved from https://www.oregonlegislature.gov/lro/Documents/11-19-09%20RR%206-09%20Measures%2066-67.pdf

28 Tharpe, W. (2019, 7 February). Raising state income tax rates at the top a sensible way to fund key investments. *Center on Budget and Policy Priorities.* Retrieved from https://www.cbpp.org/research/state-budget-and-tax/raising-state-income-tax-rates-at-the-top-a-sensible-way-to-fund-key#_ftn1

29 Oregon Department of Revenue. (n.d.) Payroll tax basics: Understanding basic requirements for reporting and paying Oregon payroll taxes [PowerPoint slides]. Retrieved from https://www.oregon.gov/DOR/programs/businesses/Documents/PayrollSlideshow.pdf

Table 3.5: Payroll Taxes

| **Establishment Size Tax Base** | **Payroll Tax Rate** |
|---|---|
| All Establishments | 0.176% |
| Establishments with 5 employees or more | 0.186% |
| Establishments with 10 employees or more | 0.198% |
| Establishments with 20 employees or more | 0.219% |
| Establishments with 50 employees or more | 0.264% |
| Establishments with 100 employees or more | 0.319% |
| Establishments with 250 employees or more | 0.446% |
| Establishments with 500 employees or more | 0.612% |
| Establishments with 1,000 employees or more | 0.881% |

To generate the desired revenue, a tax of wages only at establishments with 50 employees or more would require a rate of 0.264%, while a tax of wages at only the largest classification of establishments would require a rate of 0.881%, or $8.81 per $1000 in wages.

## Property Taxes and Bond Measures

Property taxes are the primary source of revenue for local governments in Oregon, and can be used to generate revenue through bond measures such as Oregon Metro's Affordable Housing Bond.[30] This bond raises $653 million in revenue, which will be used to provide affordable housing within the Metro region (for more information, see the previous section). To pay for the bond, property taxes were raised by $0.24 per $1,000 in assessed value (which comes out to about $60 for every $250,000 of assessed home value (AV)).[31] A major piece of legislation that allowed for this bond was Measure 102, which amends the state constitution to allow government entities to use revenue from affordable housing bonds toward public-private development partnerships.

30 Metro. (2018). Affordable homes for greater Portland [web page]. Retrieved from: https://www.oregonmetro.gov/public-projects/affordable-homes-greater-portland

31 Oregon Live. (2018). $653 million Metro affordable housing bond passes: Election results 2018. *The Oregonian*. Retrieved from https://www.oregonlive.com/politics/2018/11/2018_metro_affordable_housing_bond.html

**Calculating Property Taxes**

Calculating the actual tax due for a household can be complicated due to the multiple rates and valuation methods. The calculation begins with the comparison of two values, based on a property's AV and RMV. The Measure 5 cap is 1.5% of current RMV (1% for general government taxes and 0.5% for educational taxes). Based on its location in various taxing districts, each property will have a limited government tax rate and a limited education tax rate. The sum of these rates is then multiplied by the AV to calculate the base tax. If the calculated base tax exceeds the Measure 5 cap, any temporary voter-approved property tax measure for specific services (such as increased funding for public safety, libraries or schools) is reduced first, all the way to $0 if necessary. If the taxes still exceed Measure 5 caps, each permanent tax rate component within the base tax is then compressed proportionally such that the base tax will equal the Measure 5 cap.

In order to calculate final taxes, the bonded general government and bonded education rates, which fund capital construction projects, such as new buildings or equipment, are multiplied by the AV and added to the base tax. These bonded rates are not subject to the property tax caps.

Typically property taxes are capped at 1.5% of the property's real market value (RMV) due to Measure 5. However, Measure 5 does not apply voter-approved bond levies used for capital construction.[32] It is also possible to directly raise property taxes through a local option instead of going through a bond measure. This tax scheme also requires voter-approval and, unlike bonds used for capital construction, would be subject to Measure 5 and Measure 50. Since some properties are already at the 1.5% cap, not all properties will be subject to the full rate increase—a phenomena known as compression. For more information on Measures 5 and 50, see the sidebar.

Resolving a portion of the difference between the AV and RMV of select properties is one potential method of raising the required revenue. As of 2017, commercial buildings in Multnomah County are only taxed on 37% of their current RMV due to the taxable value growth limits imposed by Measure 50. Increasing the taxable values of these properties alone to their RMV would raise, an extra $352 million in tax revenue, after accounting for compression. While extending this estimate to all three counties is difficult due to the concentration of commercial properties within Multnomah County, it is clear that resetting just a fraction of the taxable value difference would generate considerable revenue. However, implementing the policy would require a regional waiver from the Measure 50, likely putting the issue to a vote.

Another option is to adopt a real estate transfer tax similar to that imposed within Washington County. Currently, the county taxes property sales and transfers at a rate of $1 per $1,000 of sale price, split between the buyer and seller. In the 2017-18 tax year, this generated $6.5 million in revenue.[33] Using this data, 2017 Multnomah County Assessor data, and extrapolating

[32] Oregon Department of Revenue. (n.d.). How property taxes work in Oregon [web page]. Retrieved from https://www.oregon.gov/dor/programs/property/pages/property-taxes.aspx

[33] Washington County Oregon. (2019). *Proposed budget detail program Fiscal Year (FY) 2019-2020*. [PDF file]. Retrieved from

to Clackamas County proportionally using QCEW wages, we estimate that $15.3 billion in properties were sold in 2017. According to this estimate, the region would need to tax transfers at a rate of $6.52 per $1,000 in sale price to generate the desired revenue, or around $652 per $100,000 in home value. Unfortunately, implementing such a tax is not likely feasible, as Measure 79 of Oregon's constitution, passed in 2012, prohibits state and local governments from imposing transfer taxes, except those in effect at the end of 2009.

Similar to Metro's Affordable Housing Bond, Los Angeles County's Measure HHH was a $1.2 billion bond measure to fund affordable housing, that increases property taxes by an average of about $33 per year.[34] We summarize the tax options below.

Table 3.6: Revenue-raising options summary

| **Tax Policy** | **Description** | **Relevant examples** | **Tax Base** | **Tax Rate/Fee to reach $100 Million** |
|---|---|---|---|---|
| Corporate Tax | A tax on business profits | Exists in Oregon, Multnomah County, and Portland | Clackamas and Washington County Business Profits | $91.5 million by expanding Multnomah BIT to Clackamas and Washington |
| Business License Tax or Fee | A fee charged per establishment | City of Portland Business License Tax | Business Fee | $1,755.54 |
| Gross Receipt Tax | A tax on business revenue | City of Portland and San Francisco | Business Revenue | 0.055% (0.056% excluding groceries) |
| Sales Tax | A tax on a good or service levied at the point of sale | Does not exist in Oregon, but most other states | Price of Purchased Goods | 1.45% |
| Individual Item Tax/Luxury Tax | A tax on a specific good, levied at the point of sale | Exists in Oregon in the form of sin taxes | Retail Price of the Good (Unit or Ad Valorem) | Varies significantly by good (see pg. 107 for details) |
| Flat Rate Tax | A tax on individual income | Portland Art | Tax filers | $119.78 per taxpayer |
| Payroll Tax | A tax on wages paid out by all businesses | TriMet Payroll and Self-Employment Tax | Payroll Wages | 0.176% |
| Income Tax on the Highest Earners | Increases in income tax rate for top earners | California "Millionaire's Tax" | Tax filers with AGI over $250 thousand | 0.505% of adjusted gross income |
| Bond Measure | Funded through an increase in property taxes | Metro Affordable Housing Bond Measure | Assessed Property Values | ----------------------------- |

https://www.co.washington.or.us/Support_Services/Finance/CountyBudget/upload/19-20-Proposed-Budget-Program.pdf

34 Chiland, E. (2016). Measure HHH: Angelenos ok $1.2 billion bond to tackle homelessness. *Curbed Los Angeles.* Retrieved from https://la.curbed.com/2016/11/9/13574446/homelessness-ballot-measure-hhh-housing-bond-pass

| | | | | |
|---|---|---|---|---|
| Reset Assessment of Commercial Assessed Values | Increase in taxable property value | ---------------------------- | Commercial Properties | $352 million in revenue from Multnomah County alone |
| Real Estate Transfer Tax | A tax on property sales and transfers | Washington County Transfer Tax | All Property Sales | $6.52 per $1,000 in sale value |

## Further Research and Conclusion

This has been a review of the various means local jurisdictions can raise revenue to address homelessness. This report did not delve into the various economic impacts of any of these tax policies. Doing so would require a specific policy from which the impacts could be modeled. Given the multiple additional burdens marginalized communities experience, and that these communities experience homelessness at higher rates, examining the equity impacts or regressiveness of any revenue measure is essential.

Policy does not happen in a vacuum. While each of these taxes are discussed in the context of homelessness, there also exists the option of coordinating with other priorities—such as increasing K-12 education funding—to establish new revenue streams. Further, decisions about what revenue measures to pursue, and how to structure them should take place in a transparent and inclusive manner. This section provides information and data about how to structure such a measure.