

Tax plan affirms Atiyeh ascendancy

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THE TAX PLAN that Gov. Vic Atiyeh announced Wednesday could be denounced by business, dismantled by the Legislature and rejected by the public. But it represents a bold move by an increasingly assertive governor. And, in the legislative chess game that will accompany the budget debate, it places the initiative clearly in Atiyeh's hands.

Atiyeh, who in past sessions has been noted more for a patchwork approach to taxation than for innovation, has offered a cohesive and revolutionary plan. His proposal to eliminate the 30 percent property tax relief program, freeze tax rates and allow a 5 percent annual increase in assessments will become the fulcrum for debate over the property tax issue. True, the property tax part of tax package is much the same as one he proposed in 1979, but it now fits into a larger context.

The major innovation in the package — his net receipts tax, actually a gross receipts tax on personal income — is a startling approach to taxation and state government finance. No other state imposes such a tax. It generally is considered a regressive measure at a time when most state governments are tending toward progressive tax structures — that is, toward a philosophy to levy taxes according to an individual's ability to pay.

Atiyeh's assertiveness is not a new phenomenon. Although he seemed to falter and engage in futile confrontations during the 1981 legislative

session and the first 1982 special session, he took firm control in the June and particularly the September special legislative sessions.

He constructed tax plans, consulted leadership and was firmly in command. His proposal during the September special session to tap the State Accident Insurance Fund Corp. reserve fund for \$81 million showed a willingness to take the lead and offer "an innovative — and highly controversial — plan.

In a more theatrical setting — the campaign for governor — Atiyeh displayed a sense of assertiveness, and even truculence, in his encounters with state Sen. Ted Kulongoski, D-Junction City.

Entering his second term with this kind of personal momentum, Atiyeh obviously feels boosted by his overwhelming election victory. It was the biggest mandate any governor has received in 32 years. He carried every county and pulled down every newspaper endorsement — this for a candidate who in early summer was struggling to keep up with his opponent.

Immediately following the election, Atiyeh noted the effect that such a victory should have on his capacity to lead the Legislature. Whether the 90 individual egos that make up the House and Senate agree remains a question. But there is no doubt that Atiyeh perceives his strength — particularly within his own party — and will take advantage of it.

He holds two other advantages as well.

For one, the Legislature, after almost a year of intense debate over taxation, has become more sophisticated and knowledgeable about taxation — more inclined to reason together.

And second, Atiyeh appears to get along better with the legislative leadership than he has in the past.

Senate President Fred Heard, D-Klamath Falls, noted Wednesday afternoon that relations between legislative leaders of both parties and the governor had improved. "There is more of a

give-and-take feeling," he said. "I think we have all been in this so long that we see no percentage in cheap political shots. We have been able to grow with the governor in the special session."

The haze of sweetness and light that blurred the sharp edges of the governor's plan Wednesday already has begun to dissipate.

Business leaders do not like the plan. The net receipts tax is regressive, and some liberal Democrats may object.

But the exceedingly complex and delicate construction of the plan could make an attack on it difficult. It is balanced to appeal to a wide constituency.

— It benefits corporations handsomely by reconnecting Oregon to the federal tax code. But it protects state agencies and holds the line against grisly budget-cutting. The latter will appeal to liberal legislators.

— It eliminates the 30 percent property tax relief system. But it enlarges the Homeowner and Renter Relief Program and includes a commitment to freeze property tax rates and allow only a 5 percent annual increase in assessed valuation.

— Middle-income taxpayers will feel the effect of the net receipts tax. But the plan pays homage to middle-class concerns about crime by setting aside \$20 million for new prison construction and \$8 million extra for various police and investigative functions.

— The plan also will appeal to education constituencies by maintaining basic school support at current levels and setting aside money for economic development, and also allowing a freeze on college tuition.

The extent to which Atiyeh will compromise and be flexible remains to be seen. But he is in a better position than he has ever been to lead the state in all areas and to provide the vision which he has been criticized for lacking in the past.

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