cloudy

Rain through Friday, 2B.

Christmas present to the state; 1C.

Statesman Journal

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Atiyeh seeking 25 pct. tax boost

- *Curbs on rising property taxes*
- *Changes in the income tax structure*
- *Addition of a 1 pct. flat income tax*
- *More for prisons, higher ed, industry*
- *Social programs put on hold*

By SUE HILL
Of the Statesman-Journal

Gov. Vic Atiyeh Wednesday proposed a 15-percent increase in state spending over the next two years and a 25-percent increase in income taxes to finance it.

To do otherwise would be irresponsible, he said.

The 1983-85 budget Atiyeh will recommend to the Legislature in January proposes large spending increases for colleges and universities, prisons, state police and industrial development. It proposes little or no increases in welfare and other social spending.

Democratic legislative leaders generally praised the Republican governor's spending proposals but reserved judgment on his complicated tax proposals pending a thorough staff review.

Atiyeh called his spending blueprint a "hold-the-line" budget despite nearly a half-billion-dollar increase in state agency budgets.

The total budget — including federal money, state pension funds, gas taxes, veterans payments, and all state taxes — comes out to about $13 billion, compared to about $12 billion in the current budget.

But the nutshell of state spending — and the battleground of state policymaking — occurs in the general fund budget, repository of state taxes on income, corporate profits, liquor, cigarettes and inheritance.

The governor is proposing a $3.3-billion general fund budget, compared to the current $2.9 billion. He is also asking for a $60-million reserve fund.

Despite repeated campaign pledges of no new taxes, Atiyeh said circumstances forced him to propose tax increases to forestall deep cuts in what he considers already decimated state services.

To prop up tax collections, the governor is proposing what he calls a "major tax reform" package making major changes in income taxes, cigarette taxes and property taxes.

The tax package sorts out this way:

- **Income tax proposals.**

Atiyeh has intertwined three changes in the personal income tax. Combined, they will would net the state an additional $550 million by increasing taxes for middle and upper income Oregonians:

The centerpiece is a 1-percent net receipts tax.

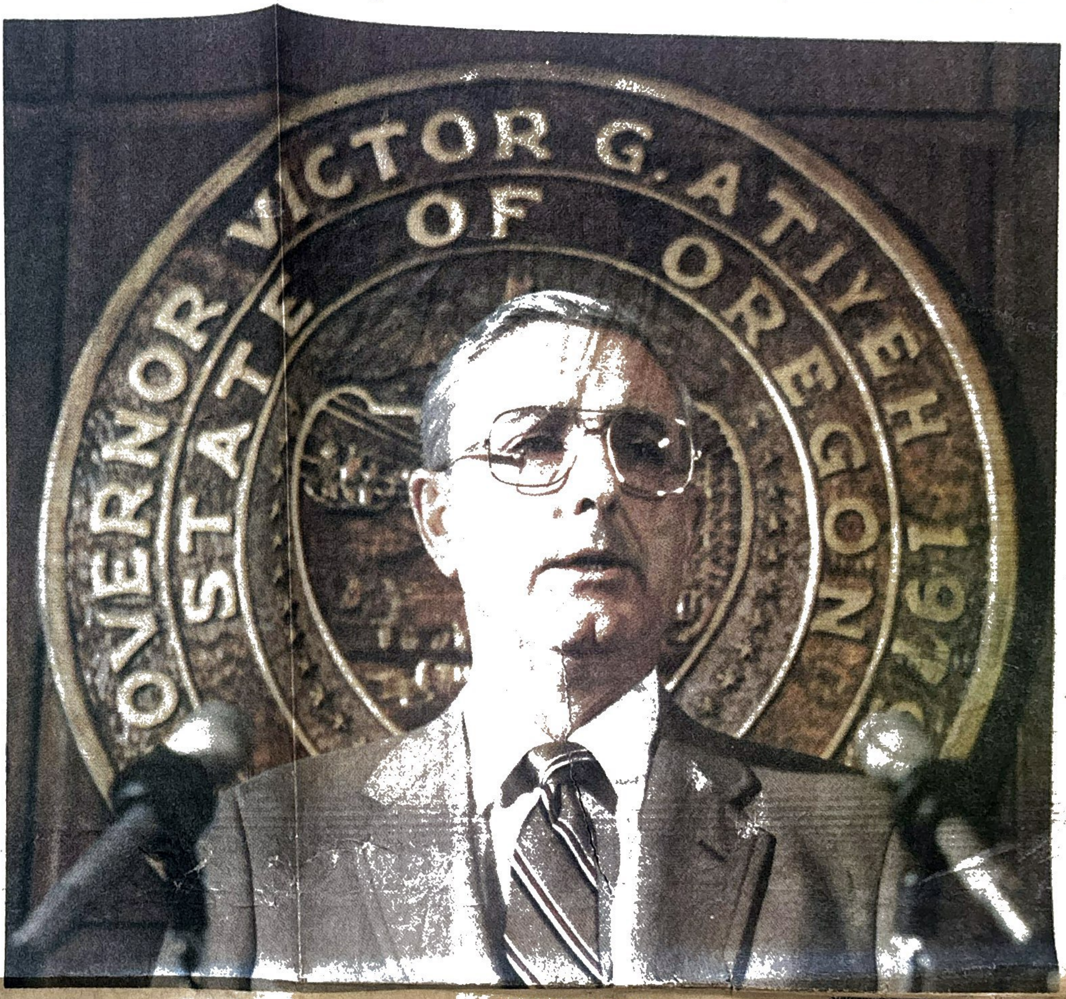
The flat 1-percent would be applied to gross income before deductions and exemptions. It would be levied in addition to taxes paid under regular tax brackets after adjustments.

In addition to the new tax, existing tax brackets would be reduced slightly, lowering the bottom bracket from 4 percent to 3 percent and the top bracket from 10 percent to 9.75 percent.

The governor also wants to replace the current $1,000 personal exemption which a taxpayer can claim for each household member with a flat, $85-dollar tax credit for each.

On the corporate side, Atiyeh is proposing that businesses also pay the new 1-percent net receipts tax on gross income. However, that $37-million bite is more than offset by the $61 million businesses would save in taxes under a companion proposal to reconnect the state tax code to the federal tax code.

- **Cigarette tax proposal**



Gov. Vic Atiyeh presenting his budget proposal calling for 15 percent more in state spending during the next two years.

Unions: Just a starting point