

DRAFT

JPACT POSITION ON TRI-MET REVENUE PROPOSAL

At the April 10 JPACT meeting, Tri-Met presented its proposal for an income tax ordinance. This memo is intended to provide a more complete assessment of the situation and provide the basis for a statement of support for the Tri-Met Board. The first reading on the ordinance has been accomplished; the second reading is scheduled for May 27.

Background

Tri-Met is now finalizing their FY 1987 budget and have a need for a \$10-\$12 million increase in revenue. An action to raise the required revenue is needed now so as to avoid completely drawing down working capital by October 1. Key components of the needed increase include:

- Maintenance of current service levels for the region plus opening of the Banfield LRT and improving service to the area connecting to the LRT -- \$4.3 million.
- Resumption of payments to the pension plan deferred for the past three years and required by the labor contract -- \$2.4 million.
- Implementation of a 50-bus per year replacement program to lower maintenance costs of an 11-year-old fleet -- \$1.3 million.
- Pay the cost of increased insurance premiums -- \$1.0 million.
- Replace lost federal operating assistance -- (+ or -) \$1 million.
- Fund a minimal contingency reserve.

To date, Tri-Met has taken a number of actions to decrease costs in order to minimize the need for increased revenues:

- Bus service has been decreased 14 percent, resulting in 300 fewer full-time drivers.
- Administrative staff was reduced by 45 positions.
- A new labor contract has been signed, resulting in \$5.1 million in savings.
- Fares were increased.

In addition, over the past year, the Tri-Met Board considered a number of other revenue alternatives, including:

- A business license fee on the sale of petroleum products.
- A business license fee on the sale of new and used cars.
- A business license fee on paid long-term parking.

Alternatives

In consideration of the short time frame within which the Tri-Met Board must make a decision, the cost-saving and revenue-raising options available are severely limited. While other cost-saving and revenue options merit further consideration, they are not available as immediate actions that could be taken by the Tri-Met Board. Those that could be implemented immediately are as follows:

- A. Cut Costs -- The new Tri-Met Board has had a very short time period to learn about the transit business and face some very difficult problems. They do not have sufficient time to carefully evaluate the cost of delivering transit service and implement sufficient improvements in efficiency to solve the problem. While efficiency savings may be appropriate, a more reasonable approach to identifying the savings is necessary. As such, the only way to reduce costs immediately is to severely cut service (25 percent) and continue to defer payments to the pension plan and bus replacement program. Such a drastic cut in service is contrary to regional objectives regarding operation of the highway system and personal mobility.
- B. Increase Revenues -- The currently available revenue alternatives allowed under the Tri-Met statute are limited and not very attractive:
 - 1. Payroll Tax -- This is at the statutory maximum of .6 percent and would require a special session of the Legislature to increase the limit in time to meet the need by October. Furthermore, this would result in an increased burden on the business community, contrary to recommendations that their share of the burden be reduced.
 - 2. Business License Fees -- The Tri-Met statute provides that imposition of a business license must be accompanied by removal of the payroll tax on that business. As such, an across-the-board business license fee would be a very large tax in order to both replace the payroll tax and raise the needed \$10-\$12 million. The end result is simply a shift in tax burden within the business community.

A more selective business license fee (such as a fee on paid parking, a fee on the sale of petroleum products or a fee on new and used auto sales) results in a heavy burden on a very narrow segment of the business community. In

addition, the petroleum and auto alternatives are constitutionally clouded and subject to the uncertainty and delay of a court challenge.

3. Property Tax -- Property tax relief has been at the forefront of Oregon politics and further increases appear inappropriate.
4. Income Tax -- This is a new tax and would involve a major effort to implement the necessary collection mechanism, but it would result in a better balance of the cost of transit service between individuals and businesses.

Summary and Conclusion

Adopting an income tax provides a means of buying time for the new Tri-Met Board to improve the cost-efficiency of the agency and pursue other revenue alternatives with the Legislature while averting a financial crisis and disruption in service.

1. A drastic cut in the level of transit service is not appropriate and contrary to regional objectives regarding highway operations and personal mobility; this is not an acceptable short- or long-term option.
2. Cost savings through improved efficiencies may be a long-term option, but cannot be implemented to correct short-term financial problems.
3. An immediate action by the Tri-Met Board to raise revenues is necessary to meet service objectives.
4. Of the revenue alternatives permitted by the Tri-Met statute, the income tax proposal appears to be the only option that is immediately available.
5. Other revenue alternatives, not permitted by the Tri-Met statute, could be sought from the Legislature as a long-term solution to financial problems.

Recommendation

In consideration of this situation and the important role of transit to the implementation of highway and land use plans, it is recommended that JPACT:

1. Support the importance of maintaining a viable transit system for the Portland metropolitan area in order to realize goals for highway operation, mobility and land use and to reduce the need for excessive construction.
2. Support the Tri-Met Board in taking the necessary action to implement a broad-based revenue measure to provide the needed level of service.

3. Support the continued effort of the Tri-Met Board to define and implement long-term changes, including:
 - a. Work with the region to develop alternate proposals for consideration by the Legislature for a better long-term financial plan, taking into consideration the overall level of resource required and relative contributions from fares, business, individuals and the state.
 - b. Definition and implementation of appropriate changes in the cost of service delivery including route productivity, labor and administrative costs and contracted service, taking into consideration recommendations of the Blue Ribbon Committee.
 - c. Definition of a five-year service and capital program that can be committed to within available resources, taking into consideration the needs of the region, input from affected governments and agencies and local match responsibilities for full utilization of the Section 3 Letter of Intent funds.

AC/g1
5563C/D1-2

STAFF REPORT

Agenda Item No. _____

Meeting Date _____

CONSIDERATION OF RESOLUTION NO. _____ FOR THE
PURPOSE OF AMENDING THE FY 1986 TRANSPORTATION
IMPROVEMENT PROGRAM TO INCLUDE AN UPDATED PROGRAM
OF PROJECTS USING SECTION 9 FUNDS

Date: April 17, 1986

Presented by: Andrew Cotugno

FACTUAL BACKGROUND AND ANALYSIS

Proposed Action

Approve the recommendation to include an updated program of Tri-Met projects using Urban Mass Transportation Administration (UMTA) Section 9 funds based upon funds available of \$13,272,430. The FY 1986 program proposed by Tri-Met consists of the following projects and amounts (excluding \$4,661,082 operating assistance and \$870,080 planning funds previously approved under separate Metro Council actions):

Capital Projects

Buses - 23 Stds. w/Lifts	\$2,815,200	
Special Needs Buses - 20 w/Lifts	640,000	
Support Vehicles	83,200	
Vehicle Subtotal		\$3,538,400

Gresham Park-and-Ride	\$800,000	
162nd Park-and-Ride	1,200,000	
Waiting Area Amenities	80,348	
Accessible Stops	100,000	
Facility Subtotal		\$2,180,348

Computer Equipment	\$ 251,600	
Rebuilt Engine/Transmissions	1,000,000	
Shop Equipment	570,920	
Fuel Storage Equipment	132,000	
Emergency Generator (Powell)	68,000	
Equipment Subtotal		\$2,022,520

Total Section 9 Request \$7,741,268

TPAC has reviewed these projects and recommends approval of Resolution No. _____.

Background

Tri-Met has prepared a program of projects for FY 1986 which utilizes available federal FY 1986 Section 9 funding. The program is predicated on several considerations:

- The Portland, Oregon-Washington urbanized area has been apportioned \$14,594,184 reflecting a reduction brought about by the Gramm-Rudman-Hollings Act.
- Of the above amount, C-TRAN (Vancouver) was allocated \$1,321,754 and Tri-Met \$13,272,430.
- The grant application is to be submitted to UMTA in the near future and requires the TIP to be correspondingly aligned in order for federal funding eligibility.
- Tri-Met and DEQ should continue to coordinate efforts to ensure that air quality concerns (regarding particulate emissions) are addressed in the purchase of new buses as recommended by the Diesel Exhaust Study Task Force.
- The funding for the Unified Work Program (UWP) is consistent with Resolution No. 86-638 adopting the FY 1987 UWP.

EXECUTIVE OFFICER'S RECOMMENDATION

AC/BP/srs
5492C/453-4
04/28/86

BEFORE THE COUNCIL OF THE
METROPOLITAN SERVICE DISTRICT

FOR THE PURPOSE OF AMENDING THE) RESOLUTION NO.
FY 1986 TRANSPORTATION IMPROVEMENT)
PROGRAM TO INCLUDE AN UPDATED) Introduced by the Joint
PROGRAM OF PROJECTS USING SECTION 9) Policy Advisory Committee
FUNDS) on Transportation

WHEREAS, Tri-Met and C-TRAN have received FY 1986 apportionment of Urban Mass Transportation Administration (UMTA) Section 9 funds in the amount of \$14,594,184 (federal) of which \$13,272,430 has been allocated to Tri-Met; and

WHEREAS, Operating Assistance in the amount of \$4,661,082 and Unified Work Program funds in the amount of \$870,080 have been previously approved by separate Metro Council actions and are not addressed in this action; and

WHEREAS, Tri-Met has prepared a program of projects for utilization of the funds which in part forms a continuation of previously established projects under Section 9; and

WHEREAS, The program of projects is required to be in the Transportation Improvement Program (TIP) in order to secure grant approval; now, therefore,

BE IT RESOLVED,

1. That the FY 1986 TIP is amended to include an update of the following Section 9 projects and amounts:

Bus Purchase - 23 Stds. w/Lifts	\$2,815,200
Special Needs Buses - 20 w/Lifts	640,000
Support Vehicles	83,200
Gresham Park-and-Ride	800,000
162nd Park-and-Ride	1,200,000
Bus Stop Improvements	180,348
Parts and Equipment	<u>2,022,520</u>
	\$7,741,268

2. That this approval is conditioned upon coordination between Tri-Met and the Department of Environmental Quality (DEQ) to ensure that air quality concerns are addressed in new bus purchases.

3. That the Council of the Metropolitan Service District (Metro) encourages Tri-Met to complete the update of the Transit Development Program and to conduct public review of the program with affected jurisdictions and agencies.

4. That the Council of the Metropolitan Service District (Metro) finds the program of projects in accordance with the Regional Transportation Plan and gives Affirmative Intergovernmental Approval.

ADOPTED by the Council of the Metropolitan Service District
this _____ day of _____, 1986.

Richard Waker, Presiding Officer

AC/BP/srs
5492C/453-4
04/28/86

METRO REGION FEDERAL TRANSPORTATION
POSITION PAPER

- I. FEDERAL ROLE: Recognize and support a continued federal role in transit and highway funding by extending the federal highway and transit trust funds and by adopting a new authorization bill for the next four years.

- II. GAS TAX: Resist gas tax increases for non-trust fund purposes (i.e., deficit reduction, general fund program expansion, or tax reform). Use of a gas tax for non-trust fund purposes violates the long history of the user-fee principle, and would severely undermine Oregon's ability to raise gas taxes and could reduce revenues to federal and state trust funds.

- III. TRANSIT: The regional position on federal transit assistance is:
 - A. No Cuts: Hold operating and capital assistance programs at FY 1986 levels.
 - B. Gas Tax Emphasis: Shift the program emphasis of the 1¢ gas tax portion of the transit program to formula assistance from discretionary capital programs to ensure equitable distribution of the 1¢ gas tax. Maintain current level of support for the balance of the program.
 - C. Retain Program Levels: Retain the authorization level for programs at FY 1986 levels.
 - D. Fully authorize the 1¢ gas tax for transit (at approximately \$1.5 billion).

- IV. HIGHWAY: The regional position on highway funding issues is:
 - A. Authorization Levels: Set highway trust fund authorization level at the estimated level of income to the trust fund (approximately \$15 billion) -- including: 1) higher estimates of gas tax based on increased sales of gas resulting from lower prices; 2) elimination of the gasohol exemption; and 3) keeping interest within the trust fund.
 - B. Obligation Ceiling: Set obligation ceiling at actual income level and eliminate past artificial ceilings resulting in increased trust fund balance and unappropriated authorizations that lapse.
 - C. Formulas: Retain FAI, FAI-4R, and FAP at FY 1986 authorization levels and distribution formulas -- particularly to allow completion of interstate projects by 1990.
 - D. Program Consolidation Options: Regarding consolidation of FAI, FAI-4R, and FAP categories, we have the following

options -- each representing varying degrees of flexibility:

1. Consolidate FAI, FAI-4R, and FAP categories with unlimited ability to transfer funds within the consolidated category;
2. Retain FAI as a separate category to ensure completion of the Interstate system by 1990 and consolidate FAI-4R and FAP;
3. Retain FAI, FAI-4R, and FAP as separate categories but allow up to 30 percent (for example) of each category to be transferred to other categories.

E. Interstate Transfer: Authorize (e)(4) at sufficient levels to retire the program by 1990 (approximately \$1 billion/year) and keep current allocation method (75 percent formula/25 percent discretionary). This is especially important with large new withdrawals (such as Westway) potentially stretching out the funds for the remainder of the areas thereby losing funds to inflation.

F. Urban Mobility Block Grant: Retain FAU, FAS, and off-system bridge programs as distinct categories, each funded at FY 1986 levels. In general, the block grant concept appears attractive. In the long run, federal programs should move toward greater flexibility.

G. Authorization Levels: Establish program authorizations as follows:

FAI	\$ 4.00 billion)with some
FAI-4R	3.15)degree of
FAP	2.45)consolida-
Interstate Transfer	1.00	tion
FAU	.8	
FAS	.65	
Bridge	2.05	
Other (Safety, Emergency, Federal Land...)	1.18	
	<u>\$15.28 billion</u>	

V. TRUST FUND OFF BUDGET: Since these are cash programs, take highway and transit trust fund expenditures off budget and exempt from Gramm-Rudman deficit reduction targets.

VI. OTHER ISSUES:

A. (e)(4) Requirements: Treat the Interstate Transfer (e)(4) program like other federal highway programs, including:

1. Make appropriated funds available for a four-year period, as with other federal categories.
2. Make eligible the optional drawdown of Highway Planning and Research (HPR) funds on Interstate Transfer.

3. Totally eliminate the requirement for a Concept Program or at a minimum allow for amendments and extension of the 1986 deadline for initiating projects.
- B. (e)(4) Formula: Consider revising the (e)(4) formula to fully appropriate an area's remaining balance when it drops below \$20 million or 4 percent of area's original program level.
- C. Highway Obligation Limitations:
 1. Set obligation limits at authorized levels.
 2. Remove quarterly obligation limits/targets.
 3. Do not remove Trust Fund balances built up due to past obligation limits placed on the program.
- D. Bridges: Include consideration of higher local match contribution in the ranking of discretionary bridge project funding.
- E. Tolls: Allow the imposition of tolls on new highways including those federally funded.
- F. Demonstrations: Eliminate or put a cap on demonstration projects.
- G. Match: Allow higher than required local match contributions on projects.
- H. Transit Capital to Operating: Allow 3:2 trade-in of transit capital for operating up to the 1984 level of assistance.
- I. Gas Tax Exemption: Maintain the gas tax exemption for state and local governments.
- J. Next Surface Transportation Act: Begin discussions about the use of the \$4 billion authorization for completion of the Interstate system for the next bill.

NM/srs
5440C/452-5
04/29/86

METRO REGION FEDERAL TRANSPORTATION
POSITION PAPER

- I. FEDERAL ROLE: Recognize and support a continued federal role in transit and highway funding by extending the federal highway and transit trust funds and by adopting a new authorization bill for the next four years.
- II. USE OF GAS TAX: Resist gas tax increases for non-trust fund purposes (i.e., deficit reduction, general fund program expansion, or tax reform). Use of a gas tax for non-trust fund purposes violates the long history of the user-fee principle, and would severely undermine Oregon's ability to raise gas taxes and could reduce revenues to federal and state trust funds.
- III. TRANSIT: The regional position on federal transit assistance is:
 - A. No Cuts: Hold operating and capital assistance programs at FY 1986 levels.
 - B. Gas Tax Emphasis: Shift the program emphasis of the 1¢ gas tax portion of the transit program to formula assistance from discretionary capital programs to ensure equitable distribution of the 1¢ gas tax. Maintain current level of support for the balance of the program.
 - C. Retain Program Levels: Retain the authorization level for programs at FY 1986 levels.
 - D. Fully authorize the 1¢ gas tax for transit (at approximately \$1.5 billion).
- IV. HIGHWAY: The regional position on highway funding issues is:
 - A. Authorization Levels: Set highway trust fund authorization level at the estimated level of income to the trust fund (approximately \$15 billion) -- including: 1) higher estimates of gas tax based on increased sales of gas resulting from lower prices; 2) elimination of the gasohol exemption; and 3) keeping interest within the trust fund.
 - B. Obligation Ceiling: Set obligation ceiling at actual income level and eliminate past artificial ceilings resulting in increased trust fund balance and unappropriated authorizations that lapse.
 - C. Formulas: Retain Federal-Aid Interstate (FAI), Federal-Aid Interstate-4R (FAI-4R), and Federal-Aid Primary (FAP) at FY 1986 authorization levels and distribution formulas -- particularly to allow completion of the interstate system by 1990.

- D. Program Consolidation Options: Consolidate the FAI, FAI-4R, and FAP highway funding categories in order to maximize state flexibility while maintaining the overall funding level without cuts.
- E. Interstate Transfer: Authorize Interstate Transfer (e)(4) at sufficient levels to retire the program by 1990 (approximately \$1 billion/year) and keep current allocation method (75 percent formula/25 percent discretionary). This is especially important with large new withdrawals (such as Westway) potentially stretching out the funds for the remainder of the areas thereby losing funds to inflation.
- F. Urban Mobility Block Grant: Retain Federal-Aid Urban (FAU), Federal-Aid Secondary (FAS), and off-system bridge programs as distinct categories, each funded at FY 1986 levels. In general, the block grant concept appears attractive. In the long run, federal programs should move toward greater flexibility.
- G. Authorization Levels: Establish program authorizations as follows:

FAI	\$ 4.00 billion)Consoli-
FAI-4R	3.15)date into
FAP	2.45)single
Interstate Transfer	1.00)category.
FAU	.8	
FAS	.65	
Bridge	2.05	
Other (Safety, Emergency, Federal Land...)	1.18	
	<u>\$15.28 billion</u>	

- V. TRUST FUND OFF BUDGET: Since these are cash programs, take highway and transit trust fund expenditures off budget and exempt from Gramm-Rudman deficit reduction targets.

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1. Make appropriated funds available for a four-year period, as with other federal categories.
 2. Make eligible the optional drawdown of Highway Planning and Research (HPR) funds on Interstate Transfer.
 3. Totally eliminate the requirement for a Concept Program or at a minimum allow for amendments and extension of the 1986 deadline for initiating projects.
 4. Consider revising the (e)(4) formula to fully appropriate an area's remaining balance when it drops below \$20 million or 4 percent of area's original program level.

- B. Highway Obligation Limitations:
1. Set obligation limits at authorized levels.
 2. Do not remove Trust Fund balances built up due to past obligation limits placed on the program.
- C. Bridges: Include consideration of higher local match contribution in the ranking of discretionary bridge project funding.
- D. Tolls: Allow the imposition of tolls on new highways including those federally funded.
- E. Demonstrations: Eliminate or put a cap on demonstration projects.
- F. Match: Allow higher than required local match contributions on projects.
- G. Transit Capital to Operating: Allow 3:2 trade-in of transit capital for operating up to the 1984 level of assistance.
- H. Gas Tax Exemption: Maintain the gas tax exemption for state and local governments.
- I. Next Surface Transportation Act: Begin discussions about the use of the \$4 billion authorization for completion of the Interstate system for the next bill.

NM/srs
5440C/452-8
05/14/86

ATTACHMENT "A"

INTERSTATE PROJECTS RECOMMENDED FOR INCLUSION
IN THE ODOT SIX-YEAR HIGHWAY IMPROVEMENT PROGRAM

- 1. "Interstate" Funded Projects -- All remaining projects programmed for completion of the Interstate System and eligible for "Interstate" funds are recommended for funding since it is expected that full funding for completion of the Interstate System is expected to be available during this time period:

I-5/Marquam ramps	\$21.0 million
I-84/122nd to 181st	17.0
I-84/181st to Sundial Road	<u>41.0¹</u>
	\$79.0 million

- 2. Interstate-4R Priorities for Construction --

CONSTRUCTION PROJECTS

a. Multnomah County

I-5/I-84 to Greeley	\$20.0 million
I-205/Airport Way	
WB to SB Ramp	7.0
SB Auxiliary Lane	0.7
EB to SB Ramp	0.5
I-84/223rd Interchange (consideration)	13.0 ¹
I-84/238th Interchange	<u>* 1</u>
SUBTOTAL	\$41.2 million

* Funding in excess of that provided under "1" above.

b. Clackamas County

I-205/Sunnyside Interchange	
Phase 1 - Offramps	\$ 0.5 million
Phase 2 - Reconstruction	7.4
I-205 Bikepath - Sunnyside to Main	0.65
I-5/I-205 Auxiliary Lanes	1.5
I-5/Kruse Way Interchange (including Bangy Road)	7.0
I-5/Wilsonville Interchange	<u>4.0</u>
SUBTOTAL	\$21.05 million

c. Washington County

I-5/Highway 217 Interchange	\$ 6.0 million
I-5 Auxiliary Lanes N of I-205	<u>5.3</u>

SUBTOTAL	\$11.3 million
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TOTAL RECOMMENDED FOR CONSTRUCTION	\$69.55 million
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3. Interstate-4R Priorities for Development

I-5/Capitol Highway Interchange	\$ 4.5 million
I-5/Terwilliger Curves	12.45

Balance of I-84 Reconstruction - East of 181st	* 1
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I-5/Interchange in the Stafford-Boeckman Area	<u>10.5</u>
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TOTAL RECOMMENDED FOR DEVELOPMENT	\$27.45 million
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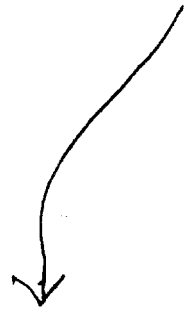
*Funding in excess of that provided under "1" above.

1Upgrading of I-84 from 181st to Sundial Road involves reconstruction to Interstate standards, provision of four travel lanes with ability to expand to six, elimination of hazardous curves and obstacles, and upgrading of interchanges to be funded with a combination of "Interstate" and "Interstate-4R" funds. The elements of this project recommended for implementation include all "Interstate" funded elements plus the I-84/238th interchange if "Interstate-4R" funded. In addition, a new interchange at 223rd is identified for consideration. The remainder of the project is recommended for development with implementation to be pursued at a later date.

5064C/435

ATTACHMENT "B"

PROJECTS ON THE STATE HIGHWAY SYSTEM
RECOMMENDED FOR INCLUSION IN THE
ODOT SIX-YEAR HIGHWAY IMPROVEMENT PROGRAM



NE Portland Highway 82nd - I-205 at 60th	\$ 1.6 million 2.2	\$1.33 m. No
Marine Drive at BNRR	7.0	\$ 5.44m.
Sunset Highway at Zoo	3.0	\$ 2.7m.
Highway 224/212 - Ross Island Bridge to U.S. 26 Reconnaissance	0.5	Yes - P.E.
Phase 1 Construction (such as 224/Harrison interchange and 212 climbing lane)	5.0	No
US 26 - Cornelius Pass	4.8	\$ 5.3
US 26 - Cornell	5.2	\$ 5.3
US 26 - 185th	5.0	No
Highway 217 at 99W	4.6	No
Scholls Ferry Road	3.8	\$ 1.56
Farmington Road (to 185th)	4.6	P.E.
257th Extension (Graham Road)	1.7	No
State Street (to include application for \$0.4m of HES funds)	0.3-0.7	\$.7
Highway 217 Ramp Metering	0.4	No
TV Highway Reconnaissance	0.3	P.E.
Sandy Boulevard - 122nd to 238th	<u>4.7</u>	No
TOTAL STATE HIGHWAY SYSTEM	\$54.7-\$55.1 million	

5064C/435

Rural recommendations in the 3 county area:

Hwy 213 - Spangler Hill	\$ 1.4 m
U.S. 26 - Wildwood to ZigZag	\$ 4.8 m
Wilson River Hwy	\$ 4.0 m

STATE MODERNIZATION PROGRAM

	OFF-SYSTEM	ON-SYSTEM	TOTAL
COUNTY AREA :	\$5,570,000	32,530,000	38,100,000
REGION 1	\$5,570,000	\$40,559,000	\$46,129,000
REGION 2	3,236,000	41,133,000	44,369,000
REGION 3	4,000,000	39,280,000	43,280,000
REGION 4	303,000	23,004,000	23,307,000
REGION 5	828,000	20,332,000	21,160,000
TOTALS	\$13,937,000	\$164,308,000	\$178,245,000

NEEDS

OFF SYSTEM	ON SYSTEM	TOTAL
106,749,000	687,861,000	794,610,000



METRO

2000 S.W. First Avenue
Portland, OR 97201-5398
503/221-1646

Memorandum

Date: April 16, 1986

To: JPACT

From: *AC* Andrew C. Cotugno, Transportation Director

Regarding: Adjustments to the Transportation Improvement Program - First Quarter Calendar Year 1986

Resolution No. 85-592 established revised project management guidelines. The guidelines require that notification be given JPACT on a quarterly basis of TIP adjustments involving transfers between projects which exceed \$100,000 and which are of administrative nature not requiring a resolution.

The following projects, at request of the sponsoring jurisdictions, have had adjustments in the first quarter of CY 1986 and are listed in accordance with the guidelines:

	Increase/(Decrease)
<u>Interstate Transfer Program</u>	
Hollywood District Improvements	\$237,986
Bertha Boulevard - Vermont to Barbur Boulevard.	216,360
Marquam Ramp Street Improvements.	149,329
NE Gertz/13th	248,144
Airport Way - Unit I.	(104,789)
Airport Way - Unit II	435,463
Airport Way - Unit III.	(1,276,914)
221st/223rd Avenue - Powell/Johnson Creek	(254,101)
SE Stark Street - 221st/242nd	254,101
Gladstone/Milwaukie TSM	(146,076)
Beavercreek Road Extension.	146,076
<u>Federal-Aid Urban Program</u>	
Arterial Overlay.	(172,000)
NW Cornell Road Retaining Walls	172,000
<u>Other Projects</u>	
Signal - Clackamas Highway at 142nd (new HES)	104,400
Signal - NE Portland Highway at 121st (new HES)	100,800

ACC:BP:lmk



METRO

2000 S.W. First Avenue
Portland, OR 97201-5398
503/221-1646

Agenda

Meeting: SPECIAL JPACT MEETING
Date: April 24, 1986
Day: Thursday
Time: 7:30 a.m.
Place: Metro, Conference Room 330

CONSIDERATION OF RESOLUTION REGARDING TRI-MET INCOME
TAX ORDINANCE.

Inter-Office Memorandum



Date: April 3, 1986
To: JPACT MEMBERS
From: Daniel E. Mercer, President, Tri-Met Board of Directors
Subject: TRI-MET DRAFT INCOME TAX ORDINANCE

Attached for your information is a copy of the draft income tax ordinance which has been prepared at the direction of the Tri-Met Board. The ordinance is currently scheduled for a first reading at the regular monthly meeting to be held Tuesday, April 29. During the remainder of April the Tri-Met Board and staff will be soliciting reactions to the proposed tax from members of the community and other jurisdictions within the Tri-Met district. We would certainly welcome your views on the pending action to be taken by the Board. I would like to also point out that during the period leading up to consideration of this revenue item, the Board intends to continue its review of Tri-Met's expenditures and practices for potential cost savings.

Also attached is an evaluation of the income tax proposal conducted by our economic consultants, ECO Northwest.

DEM:Pe
Attachments



Inter-Office Memorandum



Date: March 27, 1986
To: Tri-Met Board of Directors
From: J.E. Cowen
Subject: Income Tax Ordinance

Staff recommends that the Board of Directors defer a first reading on an income tax until the regularly scheduled April Board meeting.

The attached ordinance will impose an income tax to supplement Tri-Met's general fund budget. The effect of the tax will be identical to provisions of Oregon income tax laws. The tax will be imposed on Residents, Nonresidents who derive taxable income from sources within the District, and certain Corporations. This ordinance imposes the income tax for taxable years beginning after December 31, 1985. Residents are generally taxed upon their entire taxable income, nonresidents upon taxable income that is derived from sources within the Tri-Met District, and Corporations on or measured by their net income from sources within the District or allocated and apportioned to the District.

Revenue from the Income Tax would support Tri-Met operating the capital programs. Tri-Met requires a new revenue source to prevent further cuts in transit service and to have adequate funds for all transit operations, including the start-up of light rail service in the fall of 1986. The income tax would join two other legislatively authorized taxes, the employer payroll tax and the tax on self-employed persons. Any payroll taxes or self-employment taxes paid to Tri-Met by a taxpayer may be credited against the income tax otherwise due under this ordinance. This proposed tax is part of a balanced cost-containment and revenue-raising package designed to bring financial stability to the transit district.

The rate of tax to be imposed has intentionally been left blank in the ordinance. In order for a 1st reading to occur at the March Board meeting the Board of Directors must set a rate at today's Briefing. An estimated \$12-to-\$15 million in new revenue is required for Fiscal 87 which begins July 1, 1986. A figure of \$15 million would be necessary if the Board were to implement one option under consideration, which is a proposal to return service to 1981 levels (about an 8 percent increase) and reduce fares as a ridership incentive. Staff estimates a actual tax rate of .27% would raise \$12 million annually and .33% would raise \$15 million based upon 1984 tax information provided by the Oregon Department of Revenue. As it does with its other taxes, Tri-Met would contract with the State Department of Revenue to administer and collect the transit income tax.

Attachment

TRI-COUNTY METROPOLITAN TRANSPORTATION
DISTRICT OF OREGON

ORDINANCE NO. 136

AN ORDINANCE OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON IMPOSING A TAX ON RESIDENTS, NONRESIDENTS WHO DERIVE TAXABLE INCOME FROM SOURCES WITHIN THE DISTRICT, AND CERTAIN CORPORATIONS

The Board of Directors of the Tri-County Metropolitan Transportation District of Oregon ("Tri-Met"), pursuant to the authority conferred by ORS Chapter 267, does hereby ordain and decree the following:

Section 1. Policy.

- (a) It is the intent of Tri-Met, by the adoption of this Ordinance, insofar as possible, to make the provisions of the Ordinance that impose an income tax on residents and nonresidents identical in effect to the provisions of the Oregon personal income tax laws relating to the measurement of taxable income of individuals, estates and trusts, modified as necessary by Tri-Met's jurisdiction to tax and revenue needs; to achieve this result by the application of the various provisions of the Oregon personal income tax laws relating to the definition of income, exceptions, and exclusions therefrom, deductions (business and personal), accounting methods and periods, taxation of trusts, estates, and

partnerships, basis, depreciation, and other pertinent provisions relating to gross income as defined therein, modified as provided in this Ordinance, resulting in a final amount subject to tax; and to impose a tax on residents of this District measured by their entire taxable income wherever derived and to impose a tax on the income of nonresidents that is ascribable to sources within this District. It is not the intent of Tri-Met to adopt Oregon provisions dealing with the computation of tax, tax credits, or any other provisions designed to mitigate the amount of tax due.

- (b) It is the intent of Tri-Met, by the adoption of this Ordinance, insofar as possible, to make the provisions of this Ordinance that impose a corporate excise and income tax, insofar as they relate to the measurement of net income, identical to the provisions of the Oregon corporate excise and income tax laws, to the end that net income of a corporation for Tri-Met purposes is the same as Oregon taxable income for Oregon income tax purposes, subject to Tri-Met's jurisdiction to tax, and subject to the additions, subtractions, adjustments and modifications contained in this Ordinance; to achieve this result

by application of the various provisions of the Oregon corporate excise and income tax laws relating to the definitions for corporations of income, deductions, accounting methods and periods, taxation of corporations, basis and other pertinent provisions relating to gross income; to impose on each corporation doing business within this District an excise tax for the privilege of carrying on or doing that business measured by its Oregon taxable income as adjusted in this Ordinance and to impose on each corporation having income from sources within this District an income tax on such income. It is not the intent of Tri-Met to adopt Oregon provisions dealing with the computation of tax, tax credits, or any other provisions designed to mitigate the amount of tax due.

Section 2. Tax Imposed.

A tax is imposed for each taxable year at the rate provided in § 3 of this Ordinance:

- (a) Upon the entire taxable income of each resident (and upon the entire taxable income of each part-year resident in the manner provided in § 7 of this Ordinance);
- (b) Upon the taxable income of each nonresident;

- (c) On or measured by the net income of each corporation; and
- (d) On the net income of each corporation from sources within this District, other than income for which the corporation is subject to tax under § 2(c) of this Ordinance.

Section 3. Rate of Tax.

The rate of the tax imposed by and computed under this Ordinance shall be _____ one-hundredths of one percent.

Section 4. Definitions.

- (a) "Corporation" is defined in § 10 of this Ordinance.
- (b) "Department" means the Department of Revenue, State of Oregon.
- (c) "District" means the territory of Tri-Met, encompassing all of the territory described in Ordinance No. 90 (or in such later Ordinance as the Board of Directors may adopt defining the territorial jurisdiction of Tri-Met).
- (d) "Entire taxable income" for a resident is defined in § 6 of this Ordinance.
- (e) "Individual" means a natural person, including an alien or minor.
- (f) "Net income" for a corporation is defined in §§ 12 and 13 of this Ordinance.

- (g) "Nonresident" is defined in § 8 of this Ordinance.
- (h) "Part-year resident" is defined in § 7 of this Ordinance.
- (i) "Resident" is defined in § 5 of this Ordinance.
- (j) "Taxable income" for a nonresident is defined in § 9 of this Ordinance.
- (k) "Taxable year" means that taxable year used by a taxpayer for purposes of ORS Chapter 316, 317, or 318.
- (l) "Taxpayer" means any individual, corporation, estate, or trust whose income is in whole or part subject to tax under this Ordinance. "Taxpayer" also means any employer required by § 22 of this Ordinance to withhold taxes from wages.
- (m) "Tri-Met" means the Tri-County Metropolitan Transportation District of Oregon.

Section 5. Definition of Resident.

"Resident" means each of the following:

- (a) An individual who is domiciled in the District unless the individual (A) maintains no permanent place of abode in the District, and (B) does maintain a permanent place of abode elsewhere, and (C) spends in the aggregate not more than 30 days in the taxable year in the District; or

- (b) An individual who is not domiciled in the District but maintains a permanent place of abode in the District and spends in the aggregate more than 200 days of the taxable year in the District (with a fraction of a calendar day in the District counted as a whole day in the District), unless the individual proves that the individual is in the District for only a temporary or transitory purpose; or
- (c) A trust of which the fiduciary is a resident of the District, or a trust the administration of which is carried on in the District; or
- (d) An estate of which the fiduciary was appointed by a court in the District or the administration of which is carried on in the District, provided that a decedent's estate is a "resident" only if the decedent was a resident on the date of death.

Section 6. Definition of Resident's Entire Taxable Income.

- (a) In the case of a resident who is an individual, "entire taxable income" has the same meaning as in ORS 316.048.
- (b) In the case of a resident that is a trust or estate, "entire taxable income" has the same meaning as "taxable income" in ORS 316.272 and 316.282(3).

Section 7. Treatment of Part-Year Residents.

- (a) "Part-year resident" means an individual, trust, or estate that changes status during a tax year from resident to nonresident or from nonresident to resident.
- (b) In the case of each part-year resident of the District, the amount of the tax shall be computed under § 2(a) of this Ordinance as if the part-year resident were a full-year resident and shall be multiplied by the ratio provided under § 7(c) or 7(d) of this Ordinance to determine the tax on income derived from sources within the District.
- (c) Except as provided under § 7(d) of this Ordinance, the proportion for making a proration for part-year resident taxpayers of the amount of the tax, between District source income and income from all other sources, is the federal adjusted gross income of the taxpayer from District sources divided by the taxpayer's federal adjusted gross income from all sources. If the numerator of the fraction described in this subsection is greater than the denominator, the proportion of 100 percent shall be used in the proration required by this section. As used in this subsection, "federal adjusted gross income"

means the federal adjusted gross income of the taxpayer with the additions, subtractions and other modifications to federal taxable income contained in ORS Chapter 316 that relate to adjusted gross income.

- (d) For part-year resident trusts or estates, the proration made under this section shall be made by reference to the taxable income of the fiduciary.

Section 8. Definition of Nonresident.

"Nonresident" means each of the following:

- (a) An individual who is not a resident; or
- (b) An estate or trust that is not a resident.

Section 9. Definition of Taxable Income of Nonresident.

- (a) In the case of a nonresident who is an individual, "taxable income" means an amount computed in accordance with ORS 316.130 (and all other applicable sections, such as ORS 314.605 to 314.670, 316.117, and 316.127) with "this District" or "District," as appropriate, substituted for "this state" or "Oregon" in each place those words appear (unless a different meaning is clearly required).
- (b) In the case of a nonresident that is an estate or trust, "taxable income" means an amount computed in accordance with ORS 316.272 (and all

other applicable sections, such as ORS 316.127 and 316.307) with "this District" or "District," as appropriate, substituted for "this state" or "Oregon" in each place those words appear (unless a different meaning is clearly required).

- (c) This section shall be applied and construed so that a nonresident is taxed on all income that is derived from sources within the District and that is subject to tax under ORS Chapter 316.

Section 10. Definition of Corporation.

The term "corporation" means any mercantile, manufacturing, business, financial, centrally assessed, investment, insurance, or other corporation or entity taxable as a corporation under ORS Chapter 317 or 318.

Section 11. Corporations Subject to Tax.

A corporation is subject to tax under this Ordinance if the corporation does business, is located, or has a place of business or office within the District or has income derived from sources within the District which income is subject to tax under ORS Chapter 317 or 318.

Section 12. Definition of Net Income of Corporation for Section 2(c).

- (a) In the case of a corporation that has income from activity within the District, but not from

without the District, "net income" means "Oregon taxable income" as defined in ORS 317.010(8).

(b) In the case of a corporation that has income from activity both within and without the District, "net income" means "taxable income" as defined in ORS 317.010(10), computed with the following modifications:

(1) In applying ORS 317.010(10) and the allocation and apportionment rules of ORS 314.280 and 314.605 to 314.675, the corporation shall compute its income attributable to the District (rather than to the state of Oregon), and "this District" or "District," as appropriate, shall be substituted for the words "this state" and "Oregon" in the applicable statutes (unless a different meaning is clearly required).

(2) A corporation may deduct "District net losses" computed, under administrative rules adopted by the Department for purposes of this Ordinance, in a manner consistent with that provided in ORS 317.476 and ORS 317.010(9) with "this District" or "District," as appropriate, substituted for the words "this state" or "Oregon" in each

applicable statute (unless a different meaning is clearly required).

(3) This subsection shall be applied and construed so that a corporation is taxed on all of its net income that is subject to tax under ORS Chapter 317 and that is allocable and apportionable to the District.

(c) In the case of a domestic insurer, as defined in ORS 317.010(11), "net income" for purposes of this Ordinance means the taxable income computed under ORS 317.655 that is attributable to activities within the District. A domestic insurer that does business both within and without the District shall determine its net income attributable to activities within the District in a manner consistent with either ORS 314.280 and 314.605 to 314.675 or ORS 317.660.

Section 13. Definition of Net Income of Corporation for Section 2(d).

For purposes of § 2(d) of this Ordinance, "net income" has the meaning provided in § 12 of this Ordinance. Section 2(d) of this Ordinance applies only to net income from sources within the District. To define net income from sources within the District, ORS 318.020(2), and other applicable statutes, shall apply with "this District" or "District," as appropriate, substituted for the words "this state" or "Oregon"

(unless a different meaning is clearly required). This section shall be applied and construed to tax a corporation on all of its net income from sources within the District that is subject to tax under ORS Chapter 318.

Section 14. Credit for Taxes on Payroll and Net Earnings from Self-Employment.

The tax otherwise due under this Ordinance from a taxpayer for a taxable year shall be reduced by the amount of such taxpayer's payroll tax liability to Tri-Met with respect to the same taxable year pursuant to a Tri-Met ordinance adopted under ORS 267.385. An employee shall not claim any credit for the payroll tax, since the payroll tax is not paid by the employee. The tax otherwise due under this Ordinance from a taxpayer for a taxable year shall be reduced by the amount of such taxpayer's liability for tax on net earnings from self-employment to Tri-Met with respect to the same taxable year pursuant to a Tri-Met ordinance adopted under ORS 267.385. If the amount of payroll tax or tax on net earnings from self-employment, or both together, exceeds the tax otherwise due under this Ordinance, the excess shall not be refunded by Tri-Met and shall not carry forward or carry back to any other taxable year. The credit granted by this Section is a nonrefundable credit.

Section 15. Credit for Income Taxes Paid to Other Transit Districts.

A resident shall be allowed a credit against the tax otherwise due under this Ordinance for the amount of any income tax imposed on the resident for the taxable year by another mass

transit district on income that is derived from sources in such other mass transit district and that is also subject to tax under this Ordinance. The credit provided under this Section shall not exceed the proportion of the tax otherwise due under this Ordinance that the amount of the adjusted gross income of the resident derived from sources in the other taxing transit district bears to the entire adjusted gross income of the resident as modified by this Ordinance. The credit granted by this Section is a nonrefundable credit. If the amount of the taxes paid to another transit district exceeds the tax due under this Ordinance or exceeds the amount allowable under this Section, the excess shall not be refunded by Tri-Met and shall not carry forward or carry back to any other taxable year.

Section 16. Personal Credit.

Each taxpayer that is an individual shall be entitled to a personal credit against the tax otherwise due under this Ordinance. The amount of the personal credit shall be computed under ORS 316.085(1) by substituting the figure "\$_____" for the figure "\$85." In the case of a nonresident individual, the credit shall be prorated in a manner consistent with ORS 316.085(2)(a). In the case of a part-year resident individual, the credit shall be determined in a manner consistent with ORS 316.085(2)(c). If a change in the taxable year of a taxpayer occurs, the credit shall be prorated or computed in a manner consistent with ORS 316.085(2)(b). The credit granted by this Section is a nonrefundable credit. If the credit allowed by

this Section exceeds the tax otherwise due under this Ordinance, the excess shall not be refunded by Tri-Met and shall not carry forward or carry back to any other taxable year.

Section 17. No Other Credits.

Except as otherwise provided in this Ordinance, the tax imposed by this Ordinance shall not be reduced by any credit. Credits allowed under ORS Chapters 316, 317, and 318 are not allowed for purposes of this Ordinance.

Section 18. Partnerships.

A partnership as such is not subject to the tax imposed by this Ordinance. Individuals, trusts, estates, or corporations that are partners are liable in their separate capacities for the tax imposed by this Ordinance. A partner's share of an item of partnership income, gain, loss or deduction shall be determined in a manner consistent with ORS 316.347 and 316.352.

Section 19. Tax-Exempt Entities.

- (a) An association, trust, other unincorporated organization, or corporation that is treated as exempt from Oregon income tax under ORS 316.277(2) or 317.080 shall be exempt generally from tax under this Ordinance.
- (b) An association, trust, or other unincorporated organization that is taxable on its unrelated business taxable income under ORS 316.277(2) shall be taxable under § 2 of this Ordinance on

an amount of "entire taxable income" or "taxable income" computed only with respect to its unrelated business taxable income.

- (c) A corporation that is taxable on its unrelated business taxable income under ORS 317.920 shall be taxable under § 2 of this Ordinance on an amount of "net income" computed only with respect to its unrelated business taxable income.
- (d) No tax shall be due under this Ordinance from any foreign insurer, or its agent or representative, if the levy of such a tax would violate ORS 731.840.

Section 20. Tax and Return Due Dates.

- (a) Every taxpayer annually, on or before the 15th day of the fourth month after the end of such taxpayer's taxable year, shall pay over to the Department the amount of tax imposed by this Ordinance. Each taxpayer shall at the same time deliver to the Department a return on a form prescribed by the Department containing such information as the Department may require.
- (b) If the Department grants an extension of time to file an Oregon return, the same extension shall apply for the return due under this Ordinance. However, no such extension shall affect the date on which the tax must be paid. Thus, the inter-

est and penalties provided under this Ordinance shall apply to any tax that is not paid on the date specified in § 20(a) of this Ordinance.

Section 21. Returns.

- (a) A husband and wife who are both residents, who are both nonresidents, or who are both part-year residents shall file a joint return under this Ordinance (and compute their tax accordingly) if, and only if, they do so for purposes of ORS Chapter 316. A husband and wife who differ in residency status shall file in accordance with rules adopted by the Department.
- (b) A corporation shall file a consolidated return under this Ordinance (and compute its tax accordingly) if, and only if, it does so for purposes of ORS Chapter 317 or 318. Under rules adopted by the Department for purposes of this Ordinance, provisions consistent with ORS 317.705 to 317.725 shall apply.

Section 22. Withholding on Wages.

- (a) Every employer that is required to deduct and retain amounts under ORS 316.167 on the payment of wages shall, at the same time with respect to wages paid for services performed within the District, deduct, retain, and pay over to the Department, as a surtax on the state withholding,

an amount determined using withholding tables prepared and furnished under rules of the Department adopted for purposes of this Ordinance. ORS 316.162 to 316.212, as modified by rules adopted by the Department for purposes of this Ordinance, shall apply with respect to such withholding.

- (b) Each employer that withholds taxes under this Section shall pay over such taxes to the Department or its financial agent at the time provided in ORS 316.197.
- (c) With each payment made to the Department, each employer shall deliver to the Department a return, on a form prescribed by the Department showing the total amount of taxes withheld in accordance with this Section, and supply such other information as the Department may require. The employer is charged with the duty of advising the employe of the amount of moneys withheld, in accordance with such regulations as the Department may prescribe, using printed forms furnished or approved by the Department for such purpose.
- (d) If any amount required to be withheld and paid over to the Department is delinquent, interest shall accrue at the rate prescribed under ORS 305.220 on that amount from the last day of the month following the end of the calendar quarter

within which the amount was required to be paid to the Department to the date of payment. The provisions of this subsection shall not relieve any employer from liability for a late payment penalty under any other provision of law.

- (e) No employe has any right of action against an employer in respect of any moneys deducted from wages and paid over in compliance or intended compliance with this Section.
- (f) The amounts deducted from the wages of an employe during any calendar year in accordance with this Section shall be considered to be in part payment of the tax on such employe's income for the taxable year of the employee which begins within such calendar year, and the return made by the employer pursuant to this Section shall be accepted by the Department as evidence in favor of the employe of the amounts so deducted from the employe's wages.

Section 23. Department to Administer Law.

- (a) The Department, under a contract with Tri-Met pursuant to ORS 305.620, shall administer and enforce this Ordinance.
- (b) The Department is authorized to issue from time to time such administrative rules, forms, and instructions as the Department considers neces-

sary to implement and enforce this Ordinance.

Taxpayers shall follow all administrative rules, forms, and instructions issued by the Department.

- (c) The Department is hereby designated the agent of Tri-Met for purposes of administering the tax imposed by this Ordinance. Any tax imposed by this Ordinance shall be paid to the Department, as agent for Tri-Met. The Department may exercise all supervisory and administrative powers with regard to the enforcement, collection, and administration of this tax as the Department is authorized to exercise pursuant to ORS 305.620.

Section 24. Procedural Matters.

The provisions of ORS Chapters 305 and 314 as to the audit and examination of reports and returns, determination of deficiencies, interest, penalties, assessments, liens, claims for refund, conferences, appeals to the Director of the Department, appeals to the Oregon Tax Court, and other procedural matters shall apply to the determination of taxes, penalties, and interest under this Ordinance, except where the context requires otherwise. A taxpayer may use the procedure respecting appeals to the small claims division of the Oregon Tax Court as provided in ORS 305.515 to 305.555. Interest and penalties shall apply with respect to any deficiency in tax under this Ordinance as if the tax had arisen under ORS Chapter 316, 317, or 318.

Oregon statutes that shall be followed (except to the extent modified in this Ordinance) include, but are not limited to, the following:

<u>Statutes</u>	<u>Subjects</u>
305.100 to 305.110	Powers of the Department
305.115	Hearings
305.145 to 305.155	Compromises and agreements
305.190 to 305.200	Subpoenas and interrogatories
305.220	Interest
305.228	Penalty for dishonored checks
305.265, 305.267	Deficiency notice
305.270	Refunds
305.275, 305.280	Appeals
305.419	Payment of tax before appeal
305.560 to 305.575	Tax court
305.810, 305.815	Returns
305.830, 305.850	Collections
305.820	Date of filing
305.845	Remedies exclusive
305.990	Penalties
314.075	Evasion
314.105 to 314.140	Adjustments
314.275, 314.277	Accounting changes
314.280	Allocation
314.310	Transferee liability
314.330	Liens

314.355 to 314.385	Returns
314.400	Penalties
314.407 to 314.412	Deficiencies
314.415	Refunds
314.417 to 314.423	Liens
314.425	Examinations
314.430, 314.440	Collections
314.605 to 314.695	Allocation and apportionment
314.810	Oaths
314.815	Rules
314.835, 314.840	Disclosure
314.845	Certificate
314.855	Rewards
314.991	Penalties

Section 25. References to Oregon Laws.

References in this Ordinance to "ORS" shall mean the Oregon Revised Statutes as in effect on the date this Ordinance is adopted. To aid in the interpretation of the Oregon Revised Statutes referred to in this Ordinance, administrative and judicial interpretations of ORS Chapters 305, 314, 316, 317, and 318 shall apply.

Section 26. Effective Date.

This Ordinance shall apply to all taxable years beginning after December 31, 1985. Thus, for example, a taxpayer that uses a calendar taxable year shall file a return on or before April 15, 1987 reporting and paying tax on income for the

calendar year 1986. Withholding under § 22 of this Ordinance shall apply to wages paid after _____. The withholding tables issued by the Department under § 22 of this Ordinance shall not require any withholding with respect to wages paid before _____.

Section 27. Severability.

If any part of this Ordinance is for any reason held invalid or unconstitutional by a court of competent jurisdiction, that part shall be considered as a separate, distinct, and independent provision, and the holding shall not affect the validity of the remaining parts of this Ordinance.

Adopted:

President

Attest:

Recording Secretary

Tri-Met Fact Sheet on Income Tax Proposal **March 31, 1986**

The Tri-Met staff is drafting a proposed ordinance which would create a district-wide income tax to supplement the agency's general fund budget.

Purpose of tax:

The tax will be used to offset reduced federal operating subsidies and to supplement Tri-Met's annual operating budget, which this year is about \$72 million. The additional revenue would help support a partial restoration (4.3 percent increase) of service cut during the last three years. That increase includes the start-up of light rail service. The revenue also would help pay for new buses and supplement the district's pension fund.

Depending on Tri-Met Board directions to staff, an estimated \$12.5-to-\$15 million in new revenue is required for Fiscal 87 which begins July 1, 1986. A figure of \$15 million would be necessary if the Board were to implement one option under consideration, which is a proposal to return service to 1981 levels (about an 8 percent increase) and reduce fares as a ridership incentive.

Tax description:

Under study is a broad-based income tax on corporate and personal income based on taxable earnings reported to the State of Oregon by residents and non-residents living and working within the 1,000-square-mile Tri-Met district. The district was granted legal authority to impose an income tax when the agency was created in 1969. The tax would be identical in effect to provisions of Oregon income tax laws.

Rate:

Tri-Met staff is waiting for the results of further economic studies and a decision by the Board of Directors about 1987 service levels before determining what the rate of the tax will be. Preliminary research indicates that a rate of .33 of 1 percent (.0033 percent) would raise about \$15 million annually. State law allows the agency to collect as much as 1 percent of taxable income. By comparison, the State of Oregon income tax rate ranges from 4-to-10 percent.

How administered:

As it does with its other taxes, Tri-Met would contract with the state Department of Revenue to administer and collect the transit income tax.

Timetable:

If the Tri-Met Board of Directors decides to go forward with the income tax proposal, an ordinance would be prepared for a first reading at the April regular monthly meeting. Staff is recommending that extensive community workshops would be held prior to a first reading of the ordinance. If adopted, the tax would be imposed as of January 1, 1986.



ECO NORTHWEST

Consultants in Economics, Planning, and Resource Management
Eugene • Portland • Helena

SUMMARY

PRELIMINARY RESULTS OF AN EVALUATION OF A TRI-MET TAX ON PERSONAL AND CORPORATE INCOME

PROPOSED TAX

A tax on all taxable sources of income of households that work or live in the Tri-Met district.

A tax on that portion of income earned in the Tri-Met district by self-employed people and corporations, offset by employer taxes they already pay to Tri-Met.

PROPOSED TAX BASE

Tax base is defined as taxable income: income from all sources (wages, dividends, rents) less deductions and exemptions.

The 359,659 households that live or work in the Tri-Met district and filed tax returns in 1984 earned \$6,448,496,000 in taxable income.

The 42,254 self-employed people (not counting farmers) who filed tax returns in the Tri-Met district in 1984 earned \$386,390,800 in taxable income.

The 11,309 corporations (not counting farms) that filed tax returns in the Tri-Met district in 1983 earned \$1,003,174,674 in taxable income.

ADMINISTRATIVE AND COMPLIANCE COSTS

The Oregon Department of Revenue will collect the income tax. DOR deducts its administrative costs, which it estimates will be between \$1.5 and \$1.7 million in the first year and between \$1.0 and \$1.2 million in subsequent years.

The cost of compliance for households, self-employed people, and corporations will be incidental to costs they already

incur to file quarterly withholding payments and annual tax returns. The tax will add two to three lines to personal and corporate income-tax forms.

ESTIMATED REVENUES

	Taxable Income (Millions \$)	Est. Revenues (Million \$)		
		Tax Rate		
		.10%	.27%	.33%
Households (less credits)	6,488.50	6.60 (1.65)	17.59 (4.39)	21.59 (5.39)
Self-employed (less employer tax)	386.39	.39 (2.13)	1.05 (2.13)	1.29 (2.13)
Corporations (less employer tax)	1,003.14	1.02 (39.62)	2.72 (39.62)	3.34 (39.62)
(Less administration cost)		(1.20)	(1.20)	(1.20)
Total new revenues		3.75	12.00	15.00
Effective tax rate		.06%	.18%	.23%

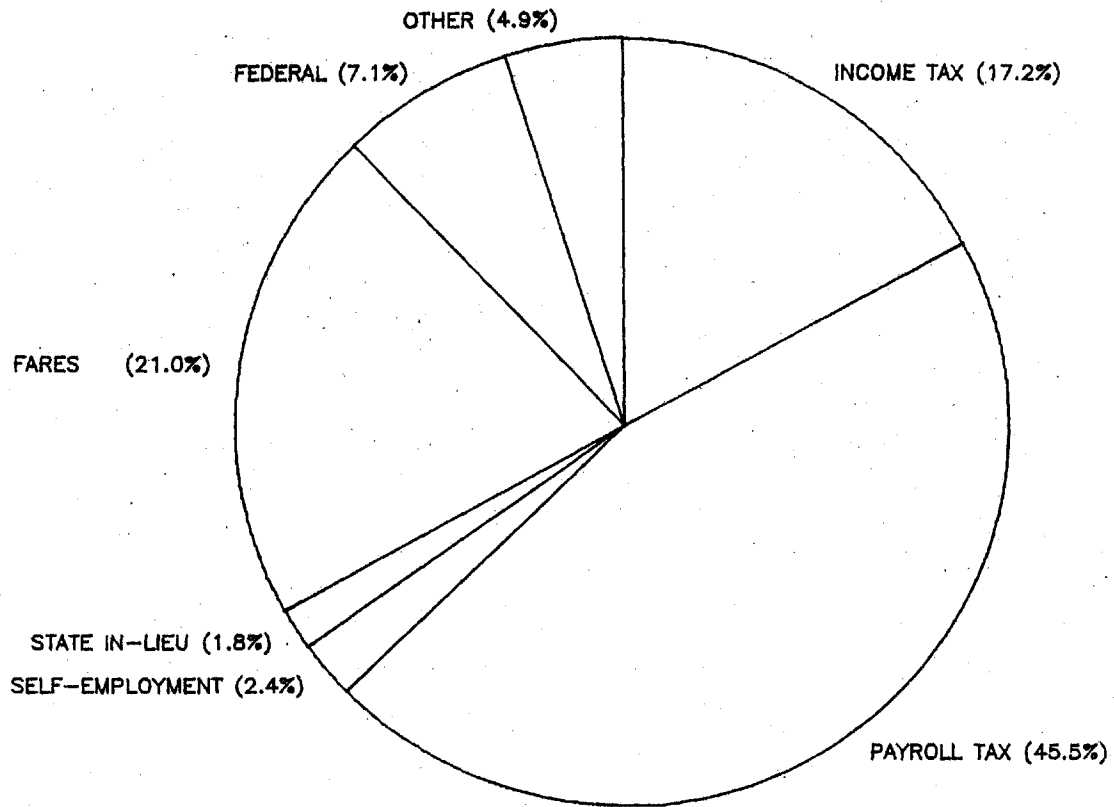
LIKELY ECONOMIC RESPONSE TO THE TAX

The average household income in 1984 was \$30,500 of which \$21,700 was taxable. If Tri-Met imposes a tax rate of .27% the household's tax liability would be \$58.59 less a tax credit of \$4.47, \$54.12. If the household does not itemize deductions on its federal and state income taxes, then its total income taxes (federal, state, and local) will increase by \$54.12. If the household itemizes deductions its total taxes will increase approximately \$49.00. Approximately six dollars will be deducted from federal and state income taxes.

Self-employed people and corporations will probably not pay any income tax because they already pay more to Tri-Met through its employer tax. Self-employed people and corporations already deduct the Tri-Met employer tax from their federal and state income taxes.

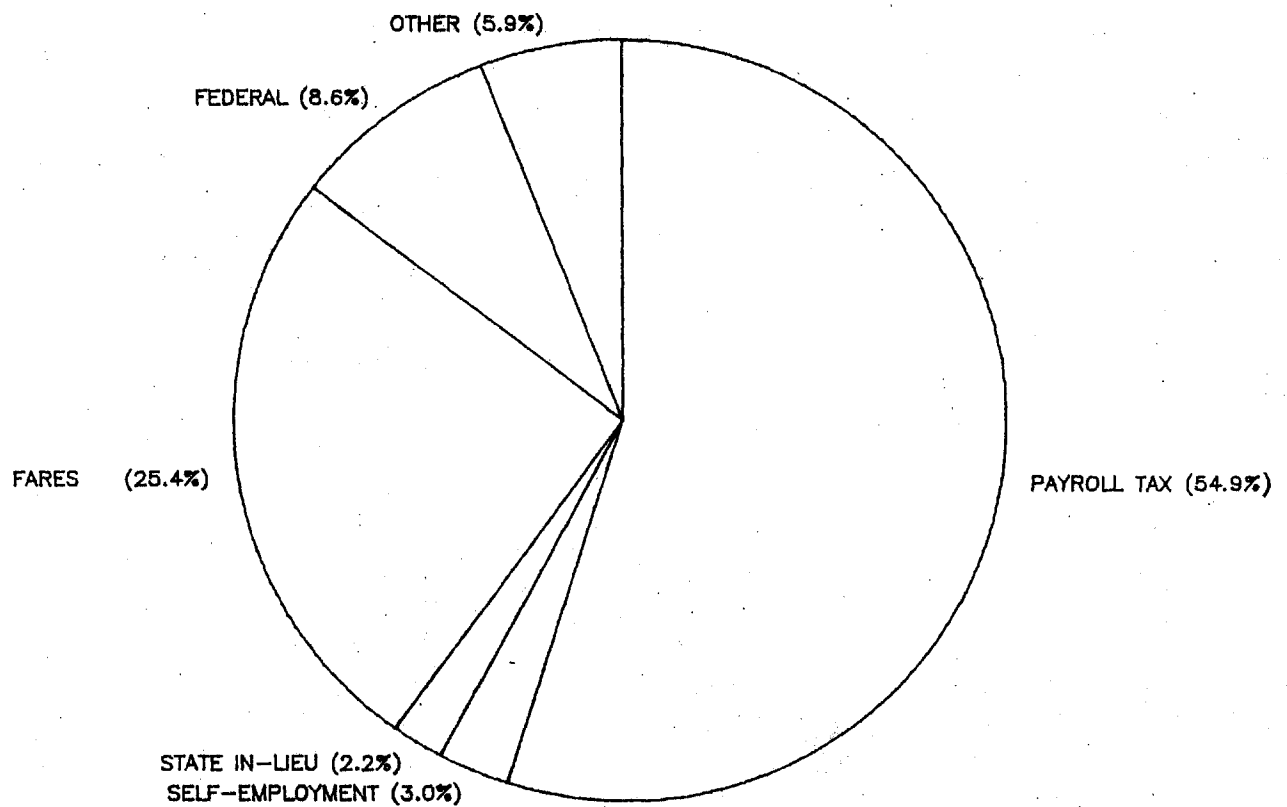
REVENUE BY SOURCE WITH INCOME TAX

CALENDAR YEAR 1984



REVENUE BY SOURCE, NO INCOME TAX

CALENDAR YEAR 1984



COMMITTEE MEETING TITLE

JPACT

DATE

5-8-86-7:30 am

NAME

AFFILIATION

NAME	AFFILIATION
M- LARRY COLE	CITIES OF WASHINGTON County
MA- Tom Beapham	DEQ
M- Vern Venney	Clark Co.
G- Ted Spink	ODOT
MA- Bob Bathman	ODOT
M- Dick Pkornowski	City of Vancouver
M- Mand Woodruff	City of Multnomah County
M- George Van Dyke	Metro
S- Rick Gustafson	Metro
M- RICHARD WAKER	METRO
S- Andy Cotugno	Metro
MA- Bill ROBERTSON	TRI-MET
M- Laurie Anderson	Multnomah County
M- Bob Anderson	CLACKAMAS COUNTY
M- Margaret Stueben	City of Portland
G- G.D. ARNINGTON	TRI-MET
G- Lee Hamer	TRI-MET
G- Bob Post	TRI-MET
S- Richard B	Metro
G- Mary Valin	ODOT
G- Steve Dotterer	City of Portland staff
G- Grace Crumman	" " " "
S- Bill Pettis	Metro

