

A **progressive** tax system is considered the most fair, because it is proportional to an individual or family's income. A progressive tax system asks more proportionately of the rich than it does of the poor. The opposite of a progressive system is a **regressive** system, in which the average tax burden decreases instead of increases with income, causing low-income taxpayers to pay more relative to their income.¹¹⁷

Taxpayers must file a Federal Income Tax return and a State Income Tax Return for the state(s) they earned income in. You may also have to pay taxes to your local municipality.¹¹⁸

Oregon's Tax System

Oregon's state budget is funded by tax dollars. Nearly all of this money goes towards funding education, human services, and public safety. The biggest source of funding for Oregon's budget is the personal income tax.

The other primary sources of funding are property taxes (the main way local governments pay for services like libraries, parks, and education), unemployment insurance tax (which provides benefits for workers who have lost their job), excise taxes (sales taxes on specific goods such as gas, cigarettes, and alcohol), and the corporate income tax.¹¹⁹

Oregon has a progressive tax system. However, when state and local taxes are added up, the system appears not progressive but *regressive* – asking more of lower-income Oregonians. For example, in previous tax years, the bottom 20% of earners in Oregon paid on average 12% of their income, while the richest 1% paid only 8% of their income.¹²⁰ For this reason and many others, the tax system in Oregon – and across the country – reflects and perpetuates inequities and is in need of reform.

¹¹⁷ Julia Kagen "Regressive Tax." *Investopedia*, April 29, 2021.
<https://www.investopedia.com/terms/r/regressivetax.asp>

¹¹⁸ Jo Willets. "The Difference Between Federal vs State Taxes." *Jackson Hewitt Tax Service*, Feb. 18, 2021.
<https://www.jacksonhewitt.com/tax-help/jh-tax-talk/difference-federal-state-taxes/>

¹¹⁹ "Oregon Tax System: Explained." *Oregon Center for Public Policy*. Webinar, Oct. 28, 2021.

¹²⁰ "Oregon Tax System: Explained." *Oregon Center for Public Policy*. Webinar, Oct. 28, 2021.