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Portland mayoral candidate Charlie Hales lists Washington address on taxes but votes in Oregon

Published: Monday, June 27, 2011, 6:50 PM Updated: Saturday, February 18, 2012, 2:32 PM



By Brad Schmidt, The Oregonian

By



Benjamin Brink/The Oregonian

Charlie Hales' run for Portland mayor now includes questions about his decision to list Washington as his residence on tax returns but vote in Oregon.

The way he sees it, Portland mayoral candidate Charlie Hales lived in two places at once.

From 2004 to 2009, Hales and his wife, Nancy, claimed residency in Stevenson, Wash. They filed tax returns claiming their home in Washington -- which, unlike Oregon, has no personal income tax.

At the same time, Hales kept voting in Oregon elections.

Neither the Oregon Department of Revenue nor the Oregon Elections Division said Monday that the situation

was inherently problematic.

Asked whether he considered himself an Oregon or Washington resident during those years, Hales said: "Both."

"We have tried all our lives to do what's right," he said. "Our accountant gave us advice, and we took it, and now we've asked him to go back and check it."

Hales angrily countered a report on Willamette Week's website Monday that he made the move to lower his tax bill. "None of that was done for tax purposes or for political purposes," he said.

Questions about taxes and residency last year tripped up the campaign of gubernatorial candidate Chris Dudley, who narrowly lost to John Kitzhaber. Dudley claimed a Camas home as his primary residence in the 1990s, when he was a Trail Blazer, but often spent time at a home in Portland.

For Hales, the question about residency comes a month after he became the first viable candidate to declare a 2012 Portland mayoral bid. New Seasons co-founder Eileen Brady is also running and Mayor Sam Adams is expected to seek re-election.

Political opponents may try to suggest Hales is a tax-dodger, said Tom Hogen-Esch, an associate political science professor specializing in local politics at Cal State Northridge. But given Hales' previous city experience and the regularity of Washington residents working in Oregon, Hogen-Esch said many people may "just sort of shrug their shoulders."

Since leaving his job as a Portland city commissioner in 2002, the 55-year-old Hales has traveled the country as a vice president for engineering and consulting firm HDR Inc., which also has a downtown Portland office.

During that time, he claimed residency in Stevenson, where his second wife owned a home, which meant salary earned outside Oregon was not taxable. But he voted in 15 of 19 Multnomah County elections, listing a condominium on Hayden Island as his residence in October 2002 and changing it in March 2008 to the Eastmoreland home he purchased a year earlier. He is not registered to vote in Skamania County, an election official said Monday.

Steve Trout, state elections director, said it's OK to vote in Oregon but live elsewhere as long as the person -- say a college student -- expects to return someday.

"As long as there's an intent to return, that's totally legal," he said. But it's potentially a felony to register in two places, he said.

The Department of Revenue, meanwhile, evaluates residency through factors such as where children attend school, where cars are registered, where mail is delivered, where a person spends time and where the person is registered to vote, spokeswoman Rosemary Hardin said.

"That's just one of those things that we would use to help determine residency," she said of voting records. "But it wouldn't be the only thing. We would weigh all the other things that we look at, if there was a question or dispute about residency."

-- Brad Schmidt

State of Charlie Hales can't laugh off residency issue.

Willamette Week
April 11, 2012

Charlie Hales has been trying to deflect his most embarrassing issue in the mayor's race with a joke.

Between 2004 and 2009, Hales told Oregon tax officials that Stevenson, Wash., was his residence.

He now tells voters that, after serving on the City Council, he moved out of Portland for love: He had remarried, and his new wife, Nancy, lived in Stevenson.

"I didn't move to Washington to cut my taxes. I moved to Washington to sleep with my wife," Hales said last fall, in a typical response. As he put it in February, "It wasn't tax evasion. It was cohabitation."

But Hales' quips gloss over the truth: He's been trying to have it both ways, claiming it was OK for him to avoid taxes in Oregon while continuing to vote here as if he were a resident.

Last June, WW broke the story about Hales' tax avoidance and his voting in Oregon while declaring Washington to be his residence.

Oregon taxes income in Hales' bracket at 10.8 percent. Washington has no income tax.

Hales' tax returns show his Washington state residency saved him an estimated \$29,900 in 2008 and 2009, the years covered by the returns Hales released to WW.

Claiming you're a nonresident for tax purposes, the Oregon Department of Revenue says, requires declaring you no longer live in Oregon.

"You're a nonresident if your permanent home was outside Oregon all year," the department's guidelines say.

Meanwhile, Hales kept voting in Oregon, a privilege state law says is reserved for residents.

Records show Hales voted eight times, from 2004 through 2009, in Oregon elections. He did so using a Hayden Island address, even as he told Oregon tax officials he actually lived in Washington.

Steve Trout, Oregon's Elections Division director, says the state lacks enough information about Hales' situation to know whether he violated elections law.

"If he had an intent to return, he could remain an Oregon voter," Trout says. "Without a complaint and a hearing, there's no way to establish intent."

Republican candidate for governor Chris Dudley faced similar questions in 2010. He had moved to Camas, Wash., in the 1990s to avoid Oregon taxes while playing for the Portland Trail Blazers. But Dudley kept his voter registration in Oregon. Unlike Hales, Dudley didn't vote in the years he called himself a nonresident.

When WW asked Hales in June about his residency, he made false statements. He said he never declared Washington as his residence for tax purposes. "I am and have always been an Oregon resident," he said.

Today, Hales says he was mistaken in his statements to WW because he had forgotten that he had filed his taxes as a Washington resident.

"I haven't spent the last 10 years walking around thinking about my tax returns," Hales says now. "Mea culpa. I'm not an accountant." —COREY PEIN and NIGEL JAQUISS

June 27th, 2011 By COREY PEIN | News | Posted In: City Hall, Politics

Charlie Hales Lived in Washington State for Tax Purposes from 2004 to 2009



Portland mayoral candidate Charlie Hales has acknowledged to *WW* that from 2004 to 2009 he was a Washington state resident for tax purposes, and that he moved his residence to Portland only last year.

Hales confirmed his past tax status in response to questions from *WW* about public records that document his ties to Washington state even after he and his wife, Nancy, purchased a home in Southeast Portland in 2007.

The revelation is significant because Washington state doesn't have an income tax, and living across the Columbia River can shield other kinds of income as well, such as dividends and capital gains, from Oregon tax liability. An out-of-state resident still pays Oregon income taxes for work done in the state.

Hales was elected to the Portland City Council from 1992 until 2002. Since then, he has worked as a vice president in the Portland office of HDR Inc., a national engineering firm, and spends much of his time working outside of Oregon.

Cross-border tax avoidance last year hurt Chris Dudley, Republican nominee for governor, who established a Camas, Wash., address while playing for the Portland Trail Blazers in the 1990s. Dudley still maintained a Portland house during that time.

Hales' email to *WW* follows:

From 2000 to 2003, I was a divorced single man, living in Portland. I filed federal and Oregon state tax returns as an Oregon resident. My income during this period was my City Commissioner salary until June of 2002, and my HDR salary after that.

In 2004, I married my wife Nancy. Nancy had lived in Washington since 1977, most of that time in the Gorge in Stevenson and Carson. Nancy worked in Vancouver, Washington for a non-profit foundation from 1991 - 2007, and then as a consultant managing small philanthropic foundations. She and her then-teenage children lived in her house in Stevenson, Washington.

After our marriage, Nancy and I lived in her home in Stevenson and in our condo on Hayden Island. Starting in 2004 and until 2009, we filed our joint federal and Oregon tax returns as residents of Washington. Although most of my work was carried out in other parts of the country, I paid Oregon income taxes for the portion of my time that I was working in Oregon. My income was my HDR salary. Although we acquired two rental houses during this time period, we haven't sold anything, so I have had no capital gains.

In 2007, with the kids all gone from home, we began a transition, where we bought and remodeled our house on SE 27th Avenue and gradually started living here more. Thus the Oregon resident tax returns in 2010 and going forward.

Your questions caused us to review in detail what we have just been doing as a practice in these gradually-changing family circumstances. We have asked [our family accountant] to take another look at 2008 and 2009 to make sure we did those years correctly.

In an interview with *WW* last week, Hales said he had always been an Oregon resident for tax purposes, and had lived in his Southeast Portland home since purchasing it in 2007.

"I've never changed my residency for tax purposes," Hales said on Thursday.

On Monday, that story changed.

April 4th, 2012 By NIGEL JAQUISS | News | Posted In: PDX Votes

Mayoral Candidates Tax Returns Show Big Differences



Jefferson Smith, Charlie Hales, Eileen Brady - IMAGE:
vivianjohnson.com

All three of the leading mayoral candidates released their **income tax returns** to *WW* this week. Their decision to do so was a gesture of transparency because, unlike property taxes, income tax information is private and candidates in city races have not typically made such information available. (The candidates released their returns to other media only after *WW* put in its requests.)

The returns show State Rep. **Jefferson Smith** (D-Portland), former City Commissioner **Charlie Hales** and businesswoman **Eileen**

Brady at very different levels of financial comfort—although all earned well in excess of the current Portland median family income for a two-person household of \$58,400.

WW asked a senior tax accountant not affiliated with any of the campaigns to review the returns. The accountant says nothing in terms of excessive deductions or an inconsistent approach jumped off the page on any of the returns, although the absence of some documentation makes a conclusive determination impossible.

Here is a brief review of the information the candidates provided:

Jefferson Smith:

Smith provided *WW* returns for the tax years 2010 and 2009. Smith earns \$21,612 each year as a member of the Oregon House but as with all three candidates, the filing of a joint return makes it difficult to figure out who is paid how much in total salary and none of the candidates provided W2 forms. Smith's wife, Katy Lesowski is a research administrator at OHSU. Smith and Lesowski showed \$96,198 in adjusted gross income in 2010 and \$99,448 in 2009. The couple, who married in 2009 and have no children, received a helpful one-time lump sum in

each of the two years: \$18,000 in 2009 from Smith's late mother's estate and \$33,000 in 2010 from Lesowski's grandmother's estate.

Charlie Hales:

As *WW* first reported last summer, Hales created a problem for himself (and saved some money) by claiming Washington residency for tax purposes in 2008 and 2009. Unlike Oregon, which has one of the nation's highest income tax rates, Washington does not levy income taxes. The problem arises from Hales continuing to vote in Oregon, as records show he did, while claiming Washington residency. A taxpayer may own property in many states but the law says he can only claim one as his "domicile" for tax purposes. And Oregon law also says you can only vote here if you are a "resident of Oregon." But Hales defined the state of residence for him and his wife, Nancy, as Washington. That meant he only owed taxes for those days he worked in Oregon. And although Hales nominally worked in Portland for the engineering firm HDR, he traveled extensively and attributed only about 7.5 percent of his income to Oregon in for 2008 and 2009. Hales reported adjusted gross income of \$185,945 in 2008; \$168,053 in 2009 and \$212,180 in 2010. The tax returns he provided *WW* show that Hales saved him about \$30,000 in Oregon income taxes for the two years he claimed Washington residency. In 2010, the issue became moot because Hales declared himself a resident of Oregon again.

Eileen Brady:

Brady and her husband Brian Rohter reported \$10,600,933 in adjusted gross income for the three most recent tax years. The vast majority of that money came in the form of capital gains from selling their stake in New Seasons Market. In 2003, three years after New Seasons launched, its founders, Stan Amy, Chuck Eggert and Rohter distributed some of their stock to family members, including Brady. The couple's 2009 return shows that she sold \$2 million worth of stock that year. Brady and Rohter benefited from the big difference in the federal tax rate on capital gains—15 percent—and the top rate for regular income such as wages—35 percent. Even with that benefit, over those three years, they paid \$1.84 million in federal tax on their income, an effective federal rate of 17.3 percent. Some Oregonians who have known they were going to take large capital gains have chosen to move to Washington in anticipation of that event avoid state taxes (some mayoral candidates have moved there as well). The state of Oregon, however reaped rewards from Brady and Rohter's decision to stick around—the couple paid \$1.062 million in state income tax over the three years, an effective Oregon tax rate of 10 percent.