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News Release

For Immediate Release
May 10, 2005

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National Big Business Group Says Oregon's Biz Taxes Among Lowest in Nation

State and local taxes on businesses in Oregon were the 47th lowest in the nation as a percent of private sector economic activity in 2004 according to a new study published by a national business lobby group. As a share of all state and local taxes, business taxes in Oregon ranked 50th among the states and the District of Columbia.

The study was compiled by the accounting firm Ernst & Young for the Council on State Taxation (COST), an association of over 500 multistate corporations that works to influence state tax policies. COST is an outgrowth of, and is still associated with, the Council of State Chambers of Commerce.

"The COST study adds to the substantial evidence that Oregon is a low-tax state for business," said Michael Leachman, who studies corporate tax issues for the Oregon Center for Public Policy.

"The COST study may be hard medicine for Oregon's business lobbyists to swallow, but reading it might help cure them of their bellyaching," he added.

Since the study uses corporate income tax data for tax year 2003-04 for Oregon, it does not include the full impact of a major corporate tax break that is being phased in between 2003 and 2008. This tax break changes the way Oregon calculates the state corporate income tax on the profits of multistate corporations. Beginning in 2008, the corporate tax formula will be based only on the companies' sales in Oregon. Multistate companies with large portions of their property and payroll in Oregon but few Oregon sales will reap large cuts in their corporate income taxes when the tax break is fully implemented in three years. The Legislative Revenue Office estimates that this change will cost Oregon nearly \$73 million in the upcoming 2005-07 budget cycle.

Leachman also noted that the study does not include a 50 percent increase in the research and development tax credit approved by the 2003 legislature and set to go into effect next year. That tax loophole is slated to cost Oregon \$21.6 million in 2005-07, up from \$5.1 million in this budget period.

“While it is hard to go any lower than 50th and 47th, the changes in these tax breaks will push in that direction,” said Leachman. “Either other taxpayers will make up for the further declines in corporate income tax revenue, or Oregon will have to cut more from its public investments in education and health care.”

The COST study emphasizes that state and local business taxes nationally rose more quickly than state and local taxes generally between 2000 and 2004. According to Leachman, the study neglects to mention that corporate taxes failed to keep up with the rise in corporate profits. “Between 2000 and 2004, corporate profits nationally grew 44.5 percent, while state and local business taxes were up just 13.7 percent,” Leachman said.

The Oregon Center for Public Policy uses research and analysis to advance policies and practices that improve the economic and social opportunities of low- and moderate-income Oregonians, the majority of Oregonians.

Note to reporters and editors:

A copy of the COST study is available at
<http://www.ocpp.org/cgi-bin/display.cgi?page=nr050510>.