News Release

OREGON CENTER FOR PUBLIC POLICY

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Corporate Tax Dodge:

The Decline of the Oregon Corporate Income Tax and the Shift to Individual Taxpayers

(Silverton) – In the upcoming budget cycle, corporations operating in Oregon will pay 71 percent less in state corporate income taxes as a share of the economy than they did in the late 1970s, according to a report released today by the Oregon Center for Public Policy (OCPP), a research institute based in Silverton. Working families and small businesses are paying a larger share of the state's income taxes than a generation ago, according to the report.

"As the corporate income tax erodes, it is becoming more difficult for Oregon to invest in its economic future," said Michael Leachman, a policy analyst at the OCPP and author of ***Corporate Tax Dodge***, the Center's report.

"Because corporate taxpayers have stopped paying income taxes at the level they paid a generation ago, Oregon has lost a total of $10.9 billion," Leachman noted.

The report indicates that multistate corporations enjoy the lion's share of potentially taxable profits collected in Oregon and hence are the primary beneficiaries of the declining corporate income tax.

"Big corporations operating in and beyond Oregon are increasingly shirking their responsibilities to pay for public investments that protect and enhance Oregon's economy," said Leachman.

The report finds that the long-term decline in corporate income taxes is primarily because corporations have won a number of tax breaks, and because corporations have grown aggressive about employing abusive tax shelters that lawmakers never enacted or intended to allow.

"Of the 49 income tax loopholes Oregon specially provides to corporations, 40 were created since 1980," said Leachman.

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"It is widely acknowledged that corporations nationally have increasingly hidden profits in abusive tax havens," Leachman added. "The Multistate Tax Commission estimated that abusive tax sheltering cost Oregon between $66 million and $94 million in fiscal year 2001 alone."

The report notes that the primary reason why Oregon's corporate income tax collections will continue to decline as a share of the economy in the next few years is that Oregon is phasing in a major tax cut for companies with large portions of their property and payroll in Oregon, and relatively few sales in-state. Called "single sales factor apportionment" by tax policy wonks, the tax cut will cost Oregon over $70 million over the next two years, and is the reason corporate tax revenues will not rise with corporate profits in the future.

"Into the foreseeable future, Oregon's families and small businesses will have to look to their own pocketbooks if they want to sustain or improve public investments in schools, courts, public safety, health care, senior services, and family support programs," said Leachman. "Corporations are being allowed to pass the buck and shirk responsibility for funding their fair share of the public services that make Oregon a good place to live and to work."

As evidence of the shift to individual taxpayers, the report notes that over the current decade corporate income taxes are projected to fall by $192 million, while personal income tax revenues will grow another $4 billion.

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. The report, ***Corporate Tax Dodge: The Decline of the Oregon Corporate Income Tax and the Shift to Individual Taxpayers***, is available at the Center's website, http://www.ocpp.org/.