

The Great Corporate Tax Shift: Undercutting Oregon's Economy and Quality of Life

by Michael Leachman

This tax day, ordinary Oregonians are paying more than their share of taxes because corporations are paying less.

Over the last generation, Oregon has shifted income taxes away from large multi-state corporations at the expense of Oregon families and small businesses.

- In the next budget cycle (2007-09), corporations will pay just 4.5 percent of Oregon's income taxes, while personal income taxpayers will pay 95.5 percent. In the 1973-75 budget cycle, corporations paid 18.5 percent of all income taxes. In the current 2005-07 biennium, corporations are expected to pay 6.3 percent of Oregon's income taxes, while personal income taxpayers will pay 93.7 percent.
- Over the current decade, as corporate income taxes are projected to fall by \$24 million, personal income tax revenues are projected to grow another \$4.6 billion.
- The decline in corporate income taxes is primarily because Oregon gives corporations numerous tax breaks and because corporations are employing abusive tax shelters that lawmakers never enacted or intended to allow. Multi-state corporations have increasingly dominated Oregon's corporate income tax base and are the primary beneficiaries of the income tax decline.

Oregon has shifted property taxes away from business property, including property owned by large corporations, and onto Oregon homeowners.

- A generation ago, in 1978-79, households paid 50 percent of all property taxes in Oregon. Businesses paid the other half. In 2003-04, households paid 60 percent of property taxes, compared to 40 percent for businesses.
- The difference is costly to Oregon homeowners. If households still paid half of total property taxes, instead of 60 percent, they would have saved nearly \$500 million in 2004 alone.
- The shift in property taxes away from business property and toward households is primarily the result of Measure 50 - a property tax cut passed in 1997. Measure 50 disconnected property taxes from real property values at a time when business property values were lagging behind residential property values.

Oregon's future – our economic strength and quality of life – depends upon critical public investments in schools and universities, roads, health care coverage, worker training, parks, and the court system. These investments make good business sense for companies that value Oregon as a place to do business in the future. Over the last generation, the taxes that fund these investments have shifted too heavily to households. Unless Oregon restores a fairer tax balance between corporations and families, the Great Corporate Tax Shift will continue to exacerbate Oregon's fiscal problems and undermine Oregon's future economic strength and quality of life.