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Oregonians Pay More Than Their Share Because Corporations Pay Less

(Silverton) - Oregonians are paying more than their share of taxes this tax day because corporations are paying less, according to a new analysis of long-term changes in Oregon income and property taxes, released today by the Oregon Center for Public Policy (OCPP).

“This tax day, Oregonians are victims of the Great Corporate Tax Shift,” said Michael Leachman, policy analyst at the OCPP.

The study finds that in the next budget cycle (2007-09) corporations operating in Oregon will pay just 4.5 percent of all state income taxes, leaving the other 95.5 percent to personal income taxpayers, including many small businesses. In the mid-1970s, corporations paid 18.5 percent of state income taxes.

“Multi-state corporations are the main beneficiaries of the decline in the corporate income tax,” said Leachman. “These companies reap 87 percent of the taxable corporate profits in Oregon. Because they garner most of the profit, they get most of the benefit when income taxes on profit are reduced.”

The decline in corporate income taxes is primarily because Oregon gives corporations numerous tax breaks and because corporations abuse tax shelters that lawmakers never enacted or intended to allow.

“Tax breaks and tax shelters are driving the decline in corporate income taxes,” said Leachman. “Oregon needs to put the ‘income’ back in the corporate income tax,” he said.

The study also found that 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 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.

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“Measure 50 was passed at a time when business property values were lagging behind residential property values,” said Leachman. “It locked in lower rates for business property, leaving homeowners today with a larger share of the tab.”

The difference is costly to Oregon homeowners, the study found. If households still paid half of property taxes, instead of 60 percent, they would have saved nearly \$500 million in 2004 alone. That savings, instead, has gone to Oregon businesses, including large corporations who own property here and have benefited from the decline in the corporate income tax.

“Households got the short end of the stick from Measures 5 and 50,” said Leachman, referring to two property tax cuts passed in the 1990s. OCPP’s study found that property taxes on business properties are 65 percent lower today than they would have been without Measures 5 and 50 and the associated tax shift to households. Property taxes on residences, by contrast, are 49 percent lower than they would have been without Measures 5 and 50.

“Unless Oregon restores a fairer balance between the taxes paid by corporations and families, the Great Corporate Tax Shift will continue to exacerbate Oregon’s fiscal problems and undercut Oregon’s future economic strength and quality of life,” said Leachman.

The ***Oregon Center for Public Policy*** uses research and analysis to advance policies and practices that improve the economic and social opportunities of all Oregonians. The new study is available at www.ocpp.org.