Doing Well For Themselves, Not Oregonians:
Corporate profits are high in Oregon, but not corporate income taxes

by Michael Leachman

Corporations operating in Oregon are doing well for themselves, but less well for Oregonians. In the last few years, corporations have seen their profits in Oregon skyrocket, more than doubling since the beginning of the decade and hitting record levels last year. Unfortunately for Oregon’s individual income taxpayers, corporate income taxes remain low by historical standards. Even though corporations made record profits last year, individual Oregonians are still picking up the slack for corporations who pay less in corporate income taxes as a share of the economy than they used to.

During the high tech boom years of the late 1990s, corporations made between about $5 billion and $6 billion annually in profits in Oregon.1 When the recession hit in 2001, profits declined somewhat to about $4.9 billion. Then, after 2001, corporate profits skyrocketed. In 2006, corporations raked in nearly $13 billion in profits in Oregon, more than double their annual profits during the high tech boom (Figure 1). The corporate profit take in 2006 was the highest on record.

Since the 1973-75 budget cycle, corporate profits have grown nearly 8 times over but corporate income taxes have increased less than half as quickly. Specifically, corporate profits are up 787 percent, while corporate income tax revenues have risen only 373 percent (Figure 2).2

As a share of the economy, corporate profits are as high as in the early 70s …

As a share of the economy, corporate profits have shot up to early 1970s levels.3 OCPP estimates that corporate profits as a share of state Gross Domestic Product were about 8.5 percent in 2006. In the first half of the 1970s, corporate profits as a share of state GDP also averaged 8.5 percent (Figure 3). After peaking in the late 1970s, corporate profits dipped as a share of the economy and then flattened out until the recent profit burst began in 2002.4

… but corporate income taxes are down substantially since then.

While corporate profits in Oregon as a share of the state economy last year stood at early 1970s levels, corporations are still paying less in income taxes as a share of the economy than they were in those years.
In the 1973-75 budget cycle, corporations operating in Oregon paid income taxes totaling $176 million, or 0.57 percent of the nearly $31 billion state economy during that budget cycle. Later in the same decade, during the 1977-79 budget cycle, corporate income taxes again hit 0.57 percent of the state economy.

By contrast, in the current 2005-07 budget cycle, corporations will pay state corporate income taxes totaling about $834 million. That total equals just 0.28 percent of Oregon’s projected $299 billion economy during 2005-07 (Figure 4), half the level of the peak years in the 1970s and only about three-fourths the level of the weakest budget cycles in the 1970s.

**Figure 3: Oregon corporate profits as a share of state GDP**

![Graph showing Oregon corporate profits as a share of state GDP from 1970 to 2006.](image)

**Figure 4: Oregon corporate income tax revenues as share of state GDP**

![Graph showing Oregon corporate income tax revenues as a share of state GDP from 1969-71 to 2005-07.](image)


Source: OCPP analysis of Legislative Revenue Office data and May 2007 Economic and Revenue forecast.

**Conclusion: Oregonians are picking up the slack for corporations**

Corporations cannot claim that their income taxes have declined as a share of the economy because their profits are down. On the contrary, profits as a share of the economy are as high as in the early 1970s, when corporate income taxes as a share of the economy were significantly higher.

Because corporations are paying less in income taxes as a share of the economy than they used to, individual Oregonians must cover more of the costs for public structures such as schools, the Oregon Health Plan, and the court system. Corporations today are doing well for themselves, not for Oregonians.
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