

## COMMENTARY

## INITIATIVE PETITION 28

# Corporate tax proposal will strengthen economy

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IN MY OPINION

When more corporate dollars stay in Oregon than go out, that's a good thing for our state economy. It means more fuel to rev up business activity and wages. It means more money to make long-term investments in our state and our people.

That's one important reason why a new proposal to raise taxes from large, mainly out-of-state corporations makes sense. Initiative Petition 28, filed by A Better Oregon, would keep more money circulating in Oregon. Even better, it would invest much of that money in what provides proven, long-term economic benefits: education.

It's important to recognize just how little corporations as a group pay in state income taxes. In the mid-1970s, corporations contributed about 18 percent of all income taxes collected by the state of Oregon, while individuals and families paid the rest. Today, the corporate share has shrunk to about 7 percent, and it's projected to go down in the years ahead.

Over the years, corporations have gamed the system. A Better Oregon's initiative would raise Oregon's corporate minimum tax on certain corporations with Oregon sales above \$25 million a year. The proposal does not affect corporations with Oregon sales of \$25 million or less. Nor does it affect corporate pass-through entities, such as S-corporations and LLCs.

The tax would affect about 1,000 corporations, according to preliminary analysis by the Legislative Revenue Office. Of these, 76 percent are multistate companies headquartered outside of Oregon – think Bank of America, Verizon and Comcast. Another 16 percent are multistate corporations headquartered in Oregon.

In recent years, the largest multistate corporations have spent most of their profits buying back their own shares and paying out dividends to shareholders. By

one estimate, companies in the S&P 500 are spending more than the profits they earn propping up share prices and handing out dividends. As stock buybacks and dividends suck up profits, it leaves little money to invest in new production or to lift wages. Some rightly call this phenomenon “profits without prosperity.”

Even if multistate corporations actually invested the bulk of their profits in their businesses, there is no guarantee that the profits earned in Oregon would be invested here. They could just as easily be invested elsewhere, even abroad. By contrast, the revenue raised by the A Better Oregon initiative from large, mainly out-of-state corporations would by and large stay in Oregon. Some of the revenue, particularly the funds spent on seniors and health care, would draw federal dollars into our economy, as well.

The new corporate tax revenues would go to hiring teachers, aid for seniors and health care providers. These folks live, work and raise families in our communities. They spend their money locally in many of our Main Street businesses. Further, by investing in schools, the initiative from A Better Oregon would lay the foundation for a brighter economic future. States with well-educated workforces tend to have higher wages and productivity levels. Business leaders and researchers agree that improving educational attainment is one of the best kind of investments that a state can make.

Property tax measures in the 1990s robbed a generation of Oregonians of a good public education system. A Better Oregon's initiative is a game changer, producing the kind of revenue that will greatly improve Oregon schools. It will bring long-term economic benefits for our state and expanded opportunities for our people.

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