OREGON CENTER FOR PUBLIC POLICY

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NEWS RELEASE

For Immediate Release
Wednesday, February 2, 2005

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New National Study Confirms Oregon Revenue Problem: Major U.S. Companies Paying Little or Nothing in State Taxes

(Silverton, OR) Many of the nation's largest, most profitable companies are paying little or no state income taxes, according to a study released today by Citizens for Tax Justice (CTJ), the Institute on Taxation and Economic Policy (ITEP) and the Oregon Center for Public Policy (OCPP).

The study by CTJ and ITEP and released locally by OCPP, a Silverton-based research institute, looks at 252 profitable *Fortune 500* companies who report state-level corporate income tax liabilities on their profits. Of those, nearly one-third (71 of the 252) managed to pay no net state income taxes in at least one of the years from 2001 to 2003. On average over the three years, the 252 profitable companies' net state income tax payments were only 2.3 percent of their US profits, or about one-third of the 6.8 percent average statutory state corporate tax rate across the country.

"For instance, Merrill Lynch, who operate in Oregon, had no net state income tax liability from 2001 to 2003, yet they amassed $8.8 billion in pretax US profits those years," said Charles Sheketoff, executive director of the Oregon Center for Public Policy.

"Oregon voters and legislators should take note when big, profitable companies operating in Oregon escape their state income tax liability," said Sheketoff.

"Voters and legislators ought to be asking why Oregon should give profitable businesses more tax breaks like the research and development tax credit and the kicker," he said. The latest projection is that profitable corporations will receive a $43 million kicker tax cut next year, with 90 percent of the tax cut going to fewer than four percent of Oregon's corporations.

Companies with a presence in Oregon, including Merrill Lynch, Sears, Southwest Airlines, Charles Schwab, IBM, New York Times, Marriott International, and Ryder were among the companies with no net state income tax liability in at least one year out of the three-year period included in the

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study. The companies have not disclosed whether they paid Oregon income taxes those years.

“The study’s results are alarming but not surprising,” said Sheketoff, who noted that two-thirds of Oregon’s corporations pay Oregon’s $10 corporate minimum tax.

“Federal disclosure laws allow us to know which profitable companies are not paying federal income taxes, and which profitable companies pay no net state income taxes generally,” said Sheketoff.

“We also need a state disclosure law so we can learn which companies are getting off the hook with a mere $10 minimum tax payment to Oregon and which are paying their fair share for the state services they receive,” he added.

Despite the lack of a state disclosure statute, Sheketoff concluded “profitable Oregon corporations are stiffing Oregon taxpayers.”

“In the 2005-07 budget cycle, corporations will pay just 5 percent of all Oregon income taxes, leaving 95 percent to households. In 1973-75, corporations paid 18 percent of income taxes,” Sheketoff noted.

The public policy research institute has calculated that if Oregon’s profitable corporations were still paying taxes at the 1973-75 level, Oregon would have $1.8 billion more for state services in the upcoming budget period.

“Oregon’s households would receive increased public services without paying more in taxes if we could just make profitable corporations pay their fair share,” added Sheketoff.

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 CTJ/ITEP study is available at http://www.ctj.org/html/corp0205.htm.