

For Immediate Release

February 23, 2009

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New Data Show Thousands of Profitable Corporations Pay No Oregon Income Taxes Except the \$10 Minimum

“Which ones are playing us for fools?”

(Silverton) — More than 5,000 profitable corporations operating in Oregon paid no income taxes in 2006 beyond the \$10 minimum, according to the Oregon Center for Public Policy.

Among the 5,156 profitable corporations that paid just \$10 were 31 with over \$1 million in Oregon taxable income, OCPP found when reviewing recently released data from the Oregon Department of Revenue. The Silverton-based think tank’s analysis arrives on the eve of a review of the corporate minimum tax by the Oregon House Revenue Committee.

The state does not disclose the names of corporations paying just \$10, prompting OCPP policy analyst Michael Leachman to wonder, “Which ones are playing us for fools?” The new data, he said, underscore the need to require large corporations to disclose how much they pay in taxes.

“By shining light on the system, Oregonians can see which big, profitable companies are good corporate citizens and which are not,” said Leachman.

The share of Oregon income taxes that profitable corporations pay has eroded over the past few decades, according to Leachman. He said that while in the mid-1970s profitable corporations paid 18.5 percent of all Oregon income taxes, their share is projected to be just 6 percent during the 2009-11 biennium.

OCPP’s analysis of the latest data showed that 63 percent of all corporations operating in the state paid only \$10 in income tax. The 5,156 profitable corporations comprised about one-quarter of all the corporations that paid the \$10 minimum.

Leachman noted that 136 corporations paid 52 percent of all Oregon corporate income taxes in 2006. “If I were the CEO of one of those 136 corporations carrying half the load, I’d want to know which large, profitable corporations are getting away with paying just \$10,” he added.

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Leachman said that even among corporations paying more than \$10, some contribute less in income taxes than the typical Oregon household or even families struggling to get by on the minimum wage. Just how many corporations fit that category is not known, because the Department of Revenue does not publish that information.

“The system has gone awry when a profitable corporation pays less in income taxes than a single mother working at a minimum wage job,” said Leachman. “When corporations don’t pay their fair share, working families and small businesses are forced to pick up the slack.”

Oregon Governor Ted Kulongoski has proposed raising more revenue from corporations by modestly increasing the state’s corporate minimum tax, a plan that in OCPP’s view falls well short of what’s needed.

“Oregon needs real reform, not just a tweak of the corporate minimum that would serve as window dressing,” said Leachman. He called for closing wasteful corporate tax loopholes and breaks and said the state should consider adopting an alternative minimum tax that would ensure that large corporations that benefit from Oregon’s public structures pay a reasonable amount in taxes.

Most of the profitable corporations that managed to pay only the minimum did so merely by taking advantage of a tax code rule that allows corporations to apply losses in previous years to future tax years, Leachman said. There were 4,900 such profitable corporate taxpayers using prior year losses.

Some profitable corporations — a total of 216 — used tax credits to shrink their income tax bill to \$10, while 40 others used a combination of tax credits and losses from prior years to reach the minimum, the OCPP analyst said.

Another, untold number of profitable corporations likely used obscure tax loopholes or overseas tax havens to avoid paying anything but the minimum, said Leachman. He cautioned that the absence of public information about how much specific corporations pay and the taxable income they report to state and federal governments makes it difficult to quantify how much is lost in such schemes.

One indication of the magnitude of the loophole and overseas tax haven problems comes from the Multistate Tax Commission, which estimated that corporate tax avoidance schemes cost Oregon roughly \$80 million in revenue in 2001.

The Oregon Center for Public Policy is a non-partisan research institute that does in-depth research and analysis on budget, tax and economic issues. The Center’s goal is to improve decision making and generate more opportunities for all Oregonians.