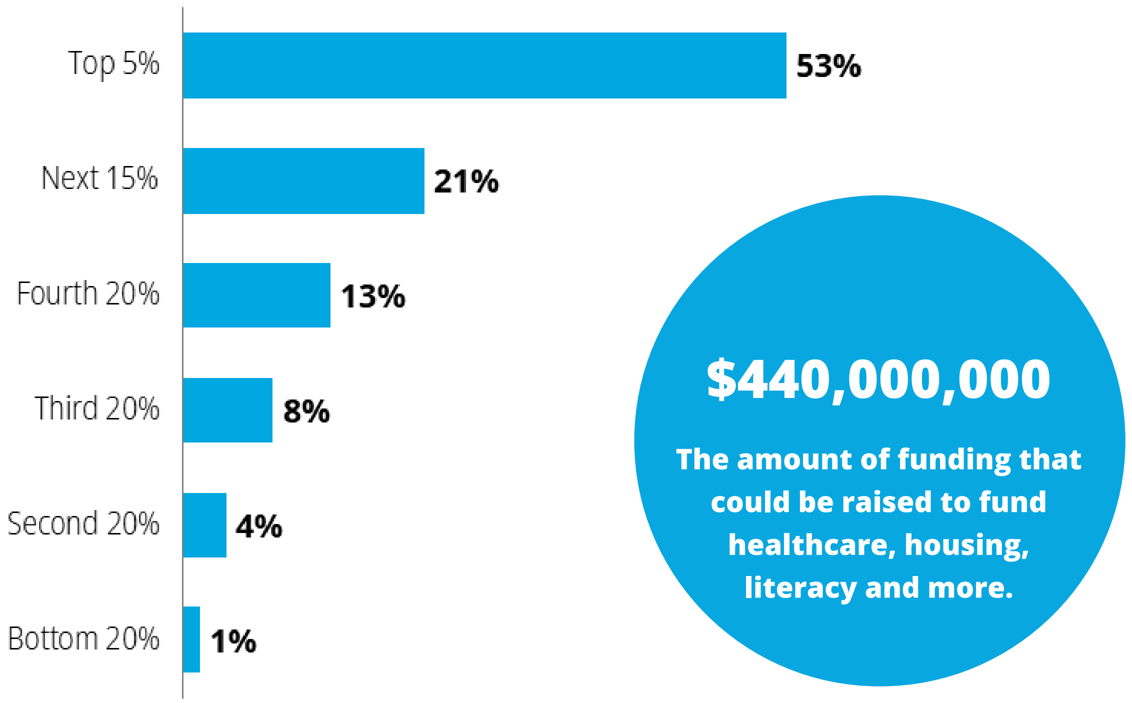
How to pay (PAE) for it? Make wealthy corporations pay what they owe.

Making Oregonians more economically secure requires investing in our well-being: housing, education, child care, and more. One fair way to pay for these investments is to make big corporations pay what they owe, while lowering taxes on small businesses.

Reform of corporate income tax is progressive

Share of total revenue raised paid by income group



Source: OCPP analysis of ITEP data.

For full citations and other publications in the How to PAE For It? series please read this report on our website OCPP.org/how-to-pay-for-it/

Good tax reform is Progressive, Adequate, and Equitable (PAE)

Good tax reforms share three characteristics. They are **progressive**, asking proportionately more of the rich than the poor. They are **adequate**, meaning they raise enough revenue to support the public services Oregonians need. And they are **equitable**, helping reduce economic disparities that are the product of our nation's history of racial and gender exclusion and oppression.

Progressive: Making sure wealthy corporations pay what they owe and lowering rates on small businesses advances tax fairness

Oregon corporate income taxes as a share of the state's total income taxes have declined dramatically. In the mid-1970s, the corporate income tax accounted for 18.5 percent of all income taxes collected in Oregon. That share is projected to drop to 8.7 percent in the coming budget period. When big corporations don't pay their fair share, it means either that there are fewer resources for schools and other essential services or that someone else — families and small businesses — foots the bill.

Oregon can help ensure that wealthy, multinational corporations — Facebook, Amazon, Apple, and the like — pay what they owe. A corporate income tax reform as follows would make it so that profitable corporations pay proportionately more than those with fewer resources:

- $0 to $1 million in profits: 6 percent (a reduction of 0.6 percentage points for small businesses)
- $1 million to $10 million in profits: 9 percent (an increase of 1.4 percentage points)
- $10 million or more in profits: 11 percent (an increase of 3.4 percentage points)

This reform is progressive because the ultimate payers of the tax are disproportionately rich. Corporate income taxes mainly fall on the owners of corporations, the stockholders. And corporate stock is concentrated in the hands of the rich. In the reform proposed above, the richest 5 percent of Oregonians pay more than half of the new revenue raised.

Adequate: Corporate tax reform raises $440 million per budget cycle

The corporate income tax reform proposed above would raise about $440 million per budget period. That is enough to cover the $326 million lawmakers plan to set aside in the upcoming budget period to address some of the most critical issues facing the state, including bridging healthcare coverage for Oregonians once the public health emergency ends, as well as literacy, housing, behavioral health, and reproductive health initiatives.

Equitable: Corporate tax reform reduces inequality

Raising corporate income taxes would reduce income and racial inequality. Corporate stock ownership is concentrated in the hands of wealthy, white households. This privileged group would pay the bulk of higher corporate income tax rates. In times when economic uncertainty of the pandemic still haunts many low and middle-income Oregonians, the revenue raised from corporate tax reforms could be reinvested equitably in the economy to make sure all Oregonians, regardless of race, gender, or socioeconomic background, can thrive.