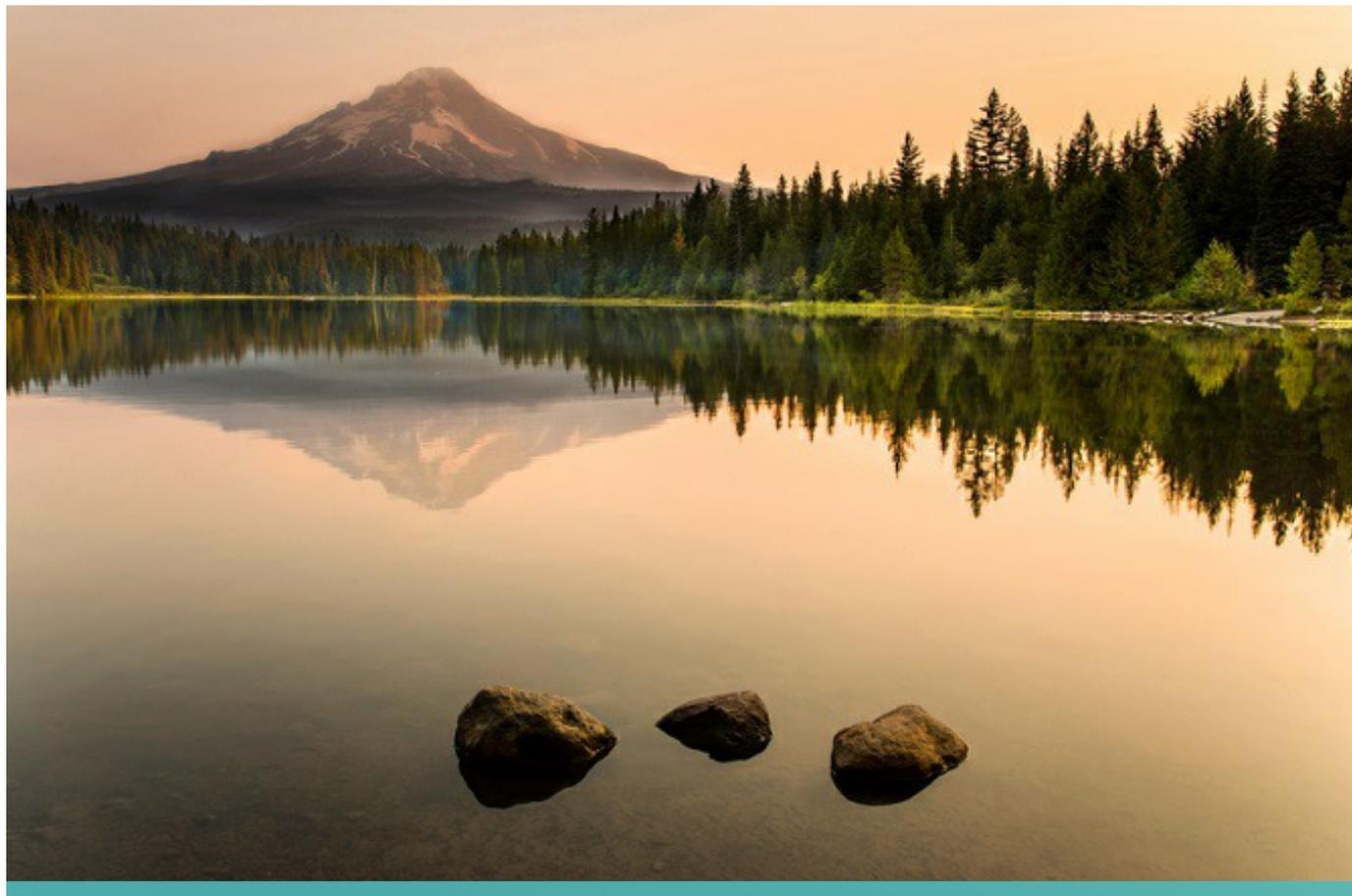


Oregon: Largest corporate tax increase in this millennium up for vote in November



David M. Kall | Wednesday, October 12, 2016

On November 8, 2016, Oregon’s voters will decide on [Measure 97](#), a state statute proposed by initiative and popularly referred to as the Oregon Business Tax Increase Initiative. A “yes” vote would increase the minimum corporate tax by establishing a 2.5 percent tax on corporate gross sales that exceed \$25 million, to be implemented on January 1, 2017. A “no” vote would retain the existing single sales factor corporate tax structure. Currently, the tax rate on corporate income is the greater of a minimum tax based on relative Oregon sales (\$150-\$100,000, approximately 0.1 percent of sales by entity) or an income-based levy of 6.6 percent on taxable income up to \$1 million and 7.6 percent above that.

A [voter’s guide](#) issued by the Oregon Secretary of State explains that if passed, Measure 97 would increase state revenues by \$548 million from January 1st to June 30th of 2017, and by approximately \$3 billion for every year after that. Although the impact on state expenditures is unknown, the increased revenue will require a corresponding increase in expenditures in the areas of public early childhood and kindergarten through grade 12 education, health care, and senior services.

A May 2016 Legislative Revenue Office [analysis](#) created some hypothetical computations to show how corporations would be affected. One table shows the direct impact, as follows:

Hypothetical Minimum Taxpayers	Minimum Tax Under Current Law	Minimum Tax Under Measure 97	Difference in Minimum Tax Liability
S-Corp or Partnership	\$150	\$150	No change
C-Corp with Oregon Sales of \$6 million	\$4,000	\$4,000	No change
C-Corp with Oregon Sales of \$20 million	\$15,000	\$15,000	No change
C-Corp with Oregon Sales of \$70 million	\$50,000	\$1,155,001	\$1,105,001
C-Corp with Oregon Sales of \$150 million	\$100,000	\$3,155,001	\$3,055,001
C-Corp with Oregon Sales of \$350 million	\$100,000	\$8,155,001	\$8,055,001

For a different perspective, another table shows the impact on the state’s tax collections:

Sales in Oregon	Number of filers	Tax paid under the current law in millions of \$	% of tax revenues collected under the current law	Tax paid under the new law in millions of \$	% of tax revenues collected under the new law by sales level
< \$25 million	28,424	\$125.50	27.2%	\$125.50	4.4%

oregon largest corporate tax increase in this mill

\$25 to \$50 million	491	54.5%	11.8%	\$48.10	5.2%
\$50 to \$100 million	286	\$68.10	14.8%	\$329.50	11.4%
\$100 to \$250 million	168	\$74.10	16.1%	\$546.30	19%
> \$250 million	106	\$138.90	30.1%	\$1,726.60	60%
TOTAL	29,475	\$461.10	100%	\$2,876.00	100%

In addition, the Legislative Revenue Office anticipated that the new structure would cause Oregon's rank in overall state and local tax burden to move from 26 to 9.

Characterizing the increase as the largest "in this millennium," [Bloomberg](#) compared Oregon's "liberal test case" to Kansas' failure that sits on the other end of the spectrum. There, lawmakers implemented broad tax and spending cuts, starting in 2012, "as part of a self-described Tea Party experiment that so far has failed to boost the economy." According to Bloomberg, both schemes constitute "wealth redistribution on a grand scale."

For and Against

[Yes on 97](#) is leading the campaign in support of Measure 97. The crux of their rationale is that the increased revenues would better fund Oregon's schools, health care and senior services. They say that with Measure 97, Oregon can:

- Reduce class sizes by hiring 7,500 teachers;
- Grow career and technical education so that kids can transition into good jobs;
- Make health care more affordable and decrease out of pockets costs;
- Help 16,000 Oregon seniors per year retire in dignity by providing them with quality in-home health care;
- Hold big corporations accountable for their faire share and build a better Oregon!

On the other hand, [Defeat the Tax on Oregon Sales](#) is the leader of the no camp. They say that Measure 97:

- Is a tax on total sales – not profits – that would increase consumer costs for all types of products and services;
- Would be the biggest tax increase in Oregon history – \$6 billion;
- Is a deceptive, hidden sales tax;
- Would especially hurt Oregon families, farmers and small businesses who can least afford higher costs;
- Is a badly-designed tax on sales [that] would result in taxes on top of taxes;
- Would damage Oregon's economy and cause the loss of thousands of local jobs;
- There's no guarantee the money would go to education or anything else. The Legislature could spend it "any way it chooses."

Oregon's Governor Brown [endorsed](#) Measure 97 in April, on the grounds that in Oregon, there exists a "basic unfairness" because corporations have a relatively low tax burden. Similarly, Bloomberg quoted a law professor who opined that Measure 97 is "a symptom of a larger intuition that corporations are not paying their fair share of tax and that they've gamed the system...The country has gotten richer and there's been economic growth, but there's the correct sense that growth has been captured by a very small slice of Americans."

But the republican candidate for governor in November's [special election](#) calls the tax simply a "money grab" by state government.



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