

On Thursday, December 13, 2012, the Oregonian will be running the following commentary in "The Stump," with a short excerpt on the commentary page directing readers to the full piece online.

Would you please make this part of the record for the Joint Interim Committee on Economic Development meeting on December 13, 2012.

Thank you very much.

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## LESSON FROM THE SPECIAL SESSION: IT'S TIME OREGON GOT RID OF ITS CORPORATE INCOME TAX

Eric Fruits

Governor Kitzhaber's call for a rush-rush emergency session of the legislature has succeeded in getting Oregonians to think again about their tax system. More importantly, it's gotten us to think about how we tax our businesses and which ones we tax.

To most people, the purpose of corporate taxes seems obvious—to raise money to fund government. But that role is disappearing. Over time, businesses have become nimble at finding the right place and right time to make money to minimize their tax bills. As a result, states have seen corporate taxes take up a smaller share of their total tax revenues. In 2011, across the U.S.—and Oregon—corporate taxes accounted for less than six percent of state total tax revenues.

Today, corporate taxes allow politicians to play a version of Santa Claus. Businesses on the "nice" list get tax breaks paid for by everyone else. It's not uncommon to see regular mom-and-pop businesses paying their full share of taxes while favored businesses shrink their tax bills through various tax credit schemes.

In 2010, the corporate tax increases known as Measure 67 destroyed a part of Oregon. It destroyed the part in which businesses, their owners, and their employees are viewed as members of the community. The campaign cast businesses as "big" or "out of state," and that they don't pay their "fair share." The measure sent a loud message to businesses: We only want you for your tax dollars.

The message of Measure 67 hangs over businesses thinking about moving or

expanding in Oregon. Every legislative session sends a shiver through boardrooms as business owners worry about what's next. Some legislators are already drafting a sales tax proposal. A follow up to Measure 67 cannot be far behind.

It should come as no surprise that Nike—and just about every other business in the state—would want to have some certainty about what their upcoming tax bill will be. At the same time, it is deeply troubling that only the biggest of Oregon's businesses can get the governor to act.

It's time Oregon revisit it's tax policies and get rid of the state corporate income tax altogether. Even with the Measure 67 increases, corporate taxes continue their long run decline as a share of total tax collections. The carve outs and credits for favored businesses corrupt the system and allow politicians to play favorites. With the corporate income tax out of the picture, Oregon can say it's open for all businesses.

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