



HB 3161: Corporate Tax Disclosure

TESTIMONY before the House Revenue Committee 3/26/2013 Elsa Porter

My name is Elsa Porter. I am a retired Federal public administrator, a former Assistant Secretary of Commerce for Administration, and an active Fellow of the National Academy of Public Administration. I speak today, on behalf of Tax Fairness Oregon, in support of House Bill 3161.

This measure, which would require corporations doing business in Oregon to file tax disclosure statements, is an essential first step in reforming our corporate income tax system so that it is fair—to all the businesses in our State as well as the public.

The system now is unfair. Tax revenues from corporations as a share of total state taxes has dropped precipitously over the last decades from 18.5% in 1975 to an estimated 6.4 % today. The highest effective tax rate for a corporation doing business in Oregon with profits of more than \$10 million that pays the minimum tax is under 1%. The average effective tax rate for middle-income Oregon households in 2009 was 4.1%, many of these households' income comes from non-corporate businesses, and the most successful of these are taxed at rates as high as 9.9%. I am sure you are aware of these historic inequities.

At the same time that tax revenues have declined, the state has been exceedingly generous in providing tax credits to corporations, ostensibly to create jobs and stimulate the economy. In 2009 the total amount of tax credits claimed was \$195 million; with still more carried forward to lower taxes in future years—or to be sold to others. But we really don't know how effectively these tax expenditures have worked. Recent research suggests that they are not very cost-effective. But without specific data from the corporations themselves we are operating in the dark.

Critics of this measure raise a number of concerns, largely about privacy and the proprietary nature of company-specific tax information. If they are publicly traded corporations they already disclose much of this information to the SEC. Massachusetts, which has studied this issue, has concluded that the information is too old to be of use to competitors. On the contrary, disclosure leads to a fairer tax structure which improves the business environment where all businesses are assured that they are treated equally.

I should note that the information is not collected for tax compliance purposes, although it will surely increase compliance as corporate behavior is made public. The primary aim is to help policy makers and the public evaluate whether our laws are fair and effective. Until we have more information we are unable to do so.

Tax Fairness Oregon is a nearly all-volunteer group advocating for fair, stable and adequate taxes