

HB 2077

Improving Oregon Tax Policies Through Corporate Tax Transparency

House Bill Overview:

HB 2077: Requires corporations doing business in Oregon to file tax disclosure statements with Secretary of State. Specifies information that must be disclosed by corporations. Declares that tax disclosure statements filed by corporations are public records. Directs Secretary of State to make tax disclosure statements publicly available via Internet. Allows Secretary of State to impose penalty for noncompliance with filing requirements.

Problem:

Currently, much of Oregon's corporate tax policy is based on assumptions. The amount of taxes that individual corporations actually pay is hidden from the public and from lawmakers.

We know that Oregon's corporate taxes are the lowest in the country. We also know that many large and out-of-state corporations are not paying their fair share of taxes, either by using accounting tricks to qualify to pay Oregon's low corporate minimum tax, or by using loopholes to avoid paying taxes altogether. But we don't know which companies are carrying their weight and which are not. Without access to better information, we cannot clearly evaluate whether our current policies are achieving their intended outcomes.

Businesses often downplay the scope of the aggressive tax-sheltering strategies they employ, and fight against closing loopholes. At the same time, many state services, like our schools, are severely underfunded. Between the 2007-08 and 2013-14 school years, Oregon public schools lost nearly 3,400 teachers and 1,200 instructional assistants to budget cuts. With fewer teachers, class sizes increased — Oregon now has one of the largest average class sizes in the country. Oregon also has one of the shortest school years in the country; between grades 1 and 12 Oregon students will receive a full year less instruction than most states. If Oregon collected more taxes from corporations, schools could be funded at optimal levels.

What We Do Know About Oregon's Corporate Taxes:

We know very little about how much individual corporations pay — but we know some basics about Oregon's low corporate tax rates.

- 72% of C corporations file minimum tax returns. For most of these corporations, their minimum tax was \$150 for the year. However, since large corporations can afford accountants and attorneys to reduce their taxes, many companies actually paid less than the minimum. In fact, 393 corporations paid zero dollars in income taxes in 2012. Corporations taking credits against the minimum tax cost the state \$9 million in lost revenue.[i]
- Many big corporations pay less in state income taxes than low income families do. Two independent reports, one by Ernst & Young and one by the Anderson Economic Group, found that Oregon has the country's lowest business taxes. Both groups compared the total amount of taxes that businesses pay (income, sales, property, etc.) with the total amount of corporate profits made in the state, and conclude that Oregon is last by nearly a billion dollars per year.

Solution:

Good policies are based on good information. Oregon's citizens and lawmakers want to create policies that both help businesses thrive, and ensure that the state has the resources to fund essential services that support everyday Oregonians and develop our workforce.

HB 2077 provides one way to determine which corporations are paying their fair share. Having corporations report their state taxes will help guide policy making and improve accountability. Furthermore, for those who argue that corporations are paying their fair share, this bill would support those arguments with concrete evidence. Publicly traded corporations already report their federal taxes, they should do the same for their state taxes.

[i] Oregon Department of Revenue, FY2012