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Associated Oregon Industries Comments on HB 4035 House Revenue Committee February 8, 2016

Chair Barnhart & Members of the House Revenue Committee

AOI has consistently cautioned against violating taxpayer confidentiality under the guise of transparency. HB 4035 would make certain corporate taxpayer return information public record, but would not inform the policy debate.

From an empirical perspective, having legislators or the public examine public lists of taxpayers is not useful in formulating tax policy. When such disclosures have been made in the past, they have generally been counterproductive due to the lack of public understanding of the complexities of corporate income taxes, especially as they apply to multi-state business entities.

HB 4035 would mislead both legislators and the public into thinking that Oregon C corps do not pay substantial taxes, when in fact they pay substantial taxes, especially in areas other than the corporate income tax. The corporate income tax is the most volatile state revenue stream because of business cycles and intended tax code features. If the Legislature is concerned that certain classes of taxpayers are inappropriately taxed, it should ask the executive branch for aggregate information for that class of taxpayers. Showing that a specific taxpayer did not pay corporate income tax for a given year – because of tax credits in the case of HB 4035 – is not going to help the policy debate. There could be many reasons a company's tax liability was reduced including loss carry-forwards, lack of profitability, etc. In fact, it will likely harm the debate, as the reason for the taxpayer's Oregon income tax liability will likely not be apparent or understood from the information disclosed.

Advocates believe that tax disclosure as embodied in HB 4035 will provide better information for lawmakers to assess the tax system. Lawmakers and the public already have a wealth of information about the Oregon tax system. The following reports are all public:

[Department of Revenue Corporate Tax Research Report](#)
[Legislative Revenue Office Basic Tax Facts Report](#)
[Oregon Tax Expenditure Report](#)

In addition to this basic research, the [Oregon Transparency website](#) contains a wealth of information about specific state tax incentive programs and which companies have used them.

In these reports, readers can learn about the amount of tax revenues generated, which sizes of firms pay how much, the number of different types of business taxpayers (C corps, S corps, etc.), historic trends in tax collections, and the various incentives provided in the tax code and how many businesses use them at what cost.

If companies aren't following the law, the Department of Revenue has the ability to audit returns and sue for back taxes. If reasons exist for the Legislative Revenue Office to probe tax return information at the Department of Revenue, they can do so under confidentiality agreements.

The tools already exist to make wise decisions about Oregon's tax structure. Mandating disclosure of certain corporate tax information won't add a dime to school funding, won't alleviate Oregon's unstable tax system, won't add money to the rainy day fund, and won't create any jobs.

AOI represents over 1,600 companies from across the state of Oregon that employ over 250,000 Oregonians. We respectfully urge you to oppose HB 4035.

J.L. Wilson
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