

Measure 118

House Interim Committee on Revenue

September 23, 2024

State of Oregon

LEGISLATIVE REVENUE OFFICE





Presentation Outline

- Measure 118 and the Corporation Excise Tax
- Impact on the Corporation Minimum Tax
- Revenue and Cash-Flow Impacts



Voters' Pamphlet





What is Measure 118?

- If passed by the voters in November, M118 would increase the Corporation Minimum Tax and establish a payment program
- C- and S-Corporations with at least \$25M of Oregon sales could be affected
- Oregon residents would each receive a rebate payment
- The tax change would first apply to tax year 2025
- Rebate payments to individuals would first occur in calendar year 2026





How are Corporations Taxed Now?

- C-corporations pay the greater of a “rates tax” on taxable income or a “minimum tax” that depends on Oregon Sales
- S-Corporations pay \$150 with all income/losses passed through to the owners where it is taxed through the Personal Income Tax

Rates Tax	
Taxable Income	Tax Before Credits
Not over \$1M	6.6% of taxable income
Over \$1M	\$66,000 + 7.6% of income over \$1M

Minimum Tax	
Oregon Sales (\$)	Minimum Tax (\$)
< \$500,000	\$150
\$500,000 to \$1 Million	\$500
\$1 Million to \$2 Million	\$1,000
\$2 Million to \$3 Million	\$1,500
\$3 Million to \$5 Million	\$2,000
\$5 Million to \$7 Million	\$4,000
\$7 Million to \$10 Million	\$7,500
\$10 Million to \$25 Million	\$15,000
\$25 Million to \$50 Million	\$30,000
\$50 Million to \$75 Million	\$50,000
\$75 Million to \$100 Million	\$75,000
\$100 Million or more	\$100,000





How Does M118 Change the Minimum Tax?

C-Corporation Minimum Tax (\$)		
Oregon Sales	Current Law	Under M118
< \$500,000	\$150	\$150
\$500,000 to \$1 Million	\$500	\$500
\$1 Million to \$2 Million	\$1,000	\$1,000
\$2 Million to \$3 Million	\$1,500	\$1,500
\$3 Million to \$5 Million	\$2,000	\$2,000
\$5 Million to \$7 Million	\$4,000	\$4,000
\$7 Million to \$10 Million	\$7,500	\$7,500
\$10 Million to \$25 Million	\$15,000	\$15,000
\$25 Million to \$50 Million	\$30,000	\$30,000 + 3% of sales > \$25M
\$50 Million to \$75 Million	\$50,000	\$50,000 + 3% of sales > \$25M
\$75 Million to \$100 Million	\$75,000	\$75,000 + 3% of sales > \$25M
\$100 Million or more	\$100,000	\$100,000 + 3% of sales > \$25M
S-Corporation Minimum Tax (\$)		
Oregon Sales	Current Law	Under M118
< \$25 Million	\$150	\$150
\$25 Million to \$50 Million	\$150	\$30,000 + 3% of sales > \$25M
\$50 Million to \$75 Million	\$150	\$50,000 + 3% of sales > \$25M
\$75 Million to \$100 Million	\$150	\$75,000 + 3% of sales > \$25M
\$100 Million or more	\$150	\$100,000 + 3% of sales > \$25M



Example (Simplified) Tax Calculations

Hypothetical C-corporation	Oregon Sales (\$M)	Net Income (\$M)	Current Law Tax (\$)		M118 Tax (\$)		Difference (\$)
			Tax From Rates	Minimum Tax	Tax From Rates	Minimum Tax	
A	\$20	\$4	\$294,000	\$15,000	\$294,000	\$15,000	\$0
B	\$60	\$3	\$218,000	\$50,000	\$218,000	\$1,100,000	\$882,000
C	\$60	\$18	\$1,358,000	\$50,000	\$1,358,000	\$1,100,000	\$0
D	\$90	\$1	\$66,000	\$75,000	\$66,000	\$2,025,000	\$1,950,000
E	\$90	\$6	\$446,000	\$75,000	\$446,000	\$2,025,000	\$1,579,000
F	\$200	\$15	\$1,130,000	\$100,000	\$1,130,000	\$5,350,000	\$4,220,000
G	\$200	\$30	\$2,270,000	\$100,000	\$2,270,000	\$5,350,000	\$3,080,000





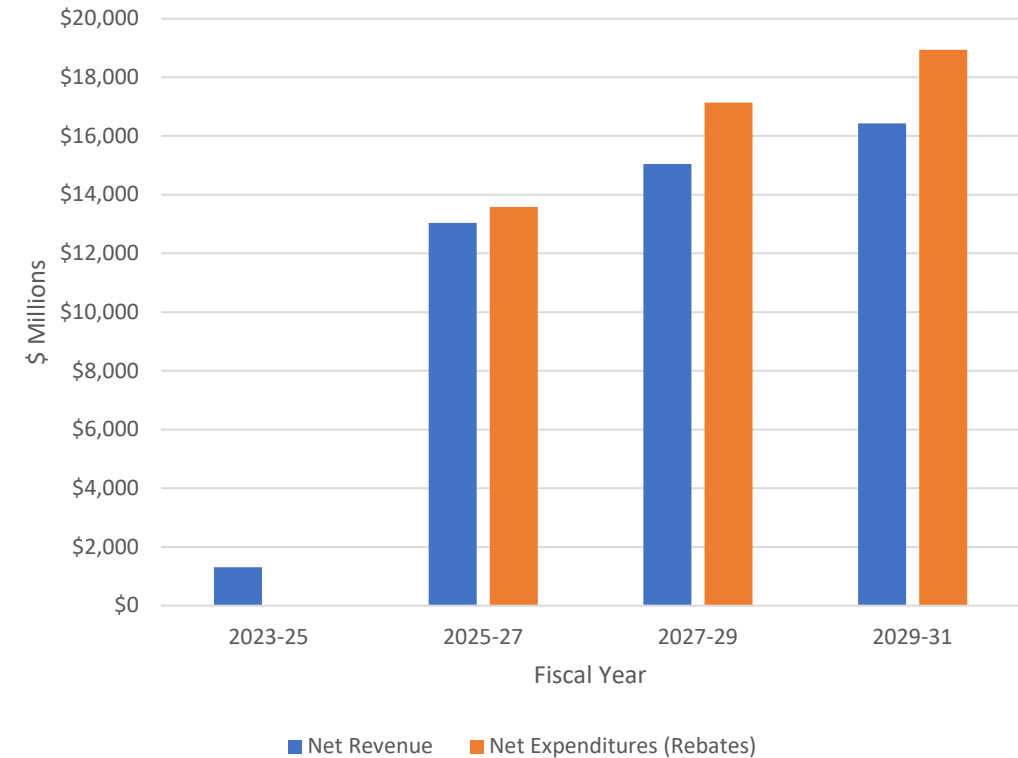
Tax Impact by Corporation Size

C-Corporations (\$M)						
Sales	N	Current Law Tax	Share of Total	M118 Tax	Share of Total	Increase
\$25 Million or less	34,601	\$276.4	20.3%	\$276.4	4.1%	\$0.0
\$25 to \$50 Million	712	\$127.6	9.4%	\$297.0	4.4%	\$169.4
\$50 to \$75 Million	274	\$95.1	7.0%	\$347.3	5.2%	\$252.2
\$75 to \$100 Million	168	\$87.6	6.4%	\$340.4	5.0%	\$252.8
\$100 to \$250 Million	284	\$232.6	17.1%	\$1,162.7	17.2%	\$930.1
Over \$250 million	172	\$544.1	39.9%	\$4,317.0	64.0%	\$3,773.0
Subtotal	36,211	\$1,363.3	100.0%	\$6,740.8	100.0%	\$5,377.5
S-Corporations (\$M)						
Sales	N	Current Law Tax	Share of Total	M118 Tax	Share of Total	Increase
\$25 Million or less	83,474	\$13.7	90.6%	\$13.8	1.0%	\$0.0
\$25 to \$50 Million	412	\$0.5	3.2%	\$129.8	9.2%	\$129.3
\$50 to \$75 Million	162	\$0.5	3.1%	\$186.2	13.2%	\$185.8
\$75 to \$100 Million	70	\$0.1	0.9%	\$141.5	10.0%	\$141.4
\$100 to \$250 Million	113	\$0.3	2.1%	\$468.2	33.2%	\$467.9
Over \$250 Million	35	\$0.0	0.2%	\$468.9	33.3%	\$468.9
Subtotal	84,265	\$15.1	100.0%	\$1,408.5	100.0%	\$1,393.3
Total	120,476	\$1,378.5		\$8,149.2		\$6,770.8



Revenue and Cash-Flow Impacts

Biennium	2023-25	2025-27	2027-29	2029-31
Tax and Rebate Impacts				
Corporation Excise Tax	\$1,354	\$14,858	\$15,771	\$17,397
Rebates	\$0	-\$13,583	-\$17,144	-\$18,940
Other Tax Effects	-\$44	-\$489	-\$728	-\$972
Corporate Kicker to K-12	\$0	-\$1,333	\$0	\$0
Net Cash-Flow Impact	\$1,311	-\$547	-\$2,101	-\$2,515
Rainy Day Fund	-\$19	-\$80	-\$88	-\$96





Revenue Impacts, by Tax Year

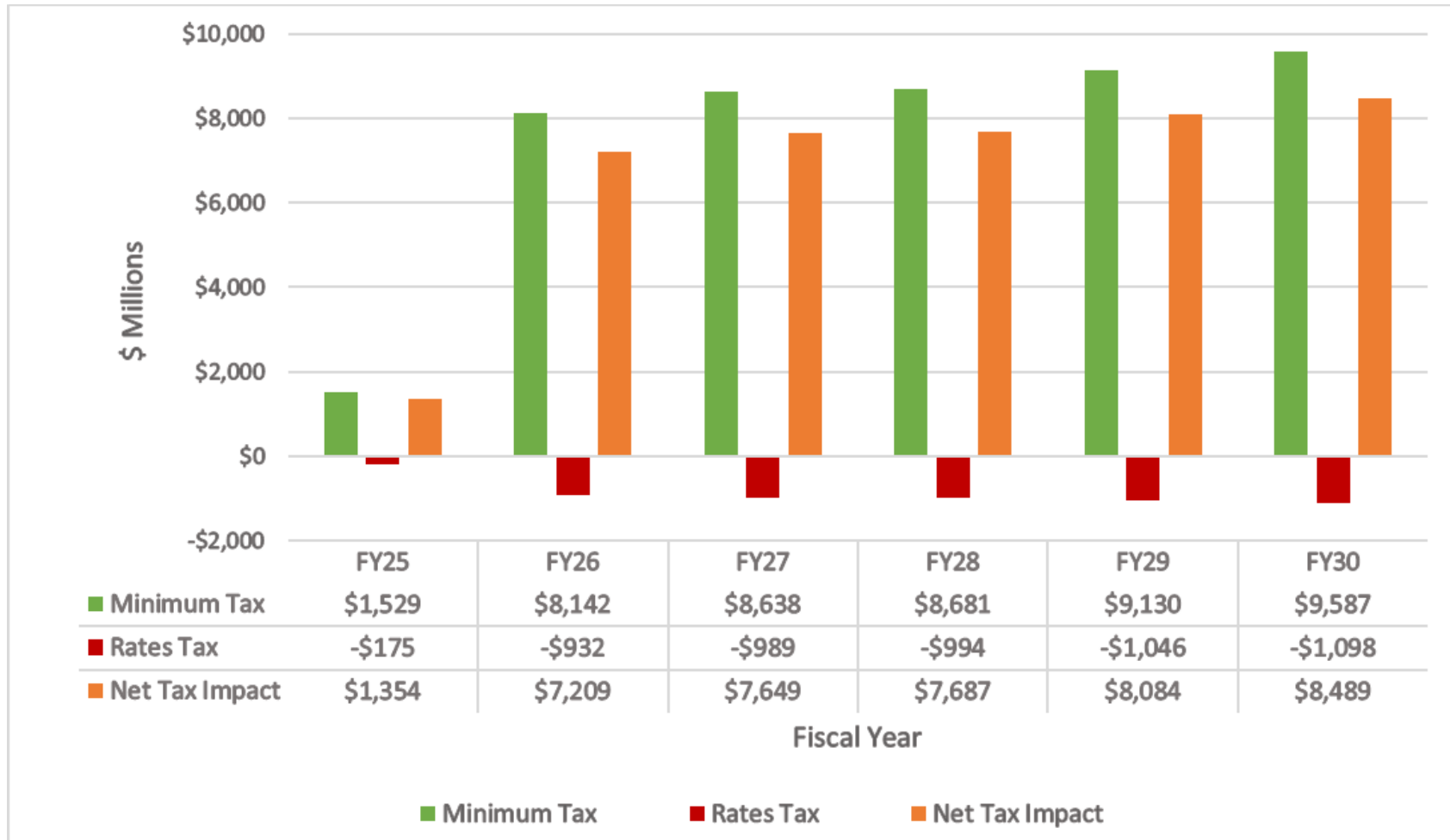


■ Minimum Tax
 ■ Rates Tax
 ■ Net Tax Impact





Revenue Impacts, by Fiscal Year





Revenue Impacts, by Calendar Year

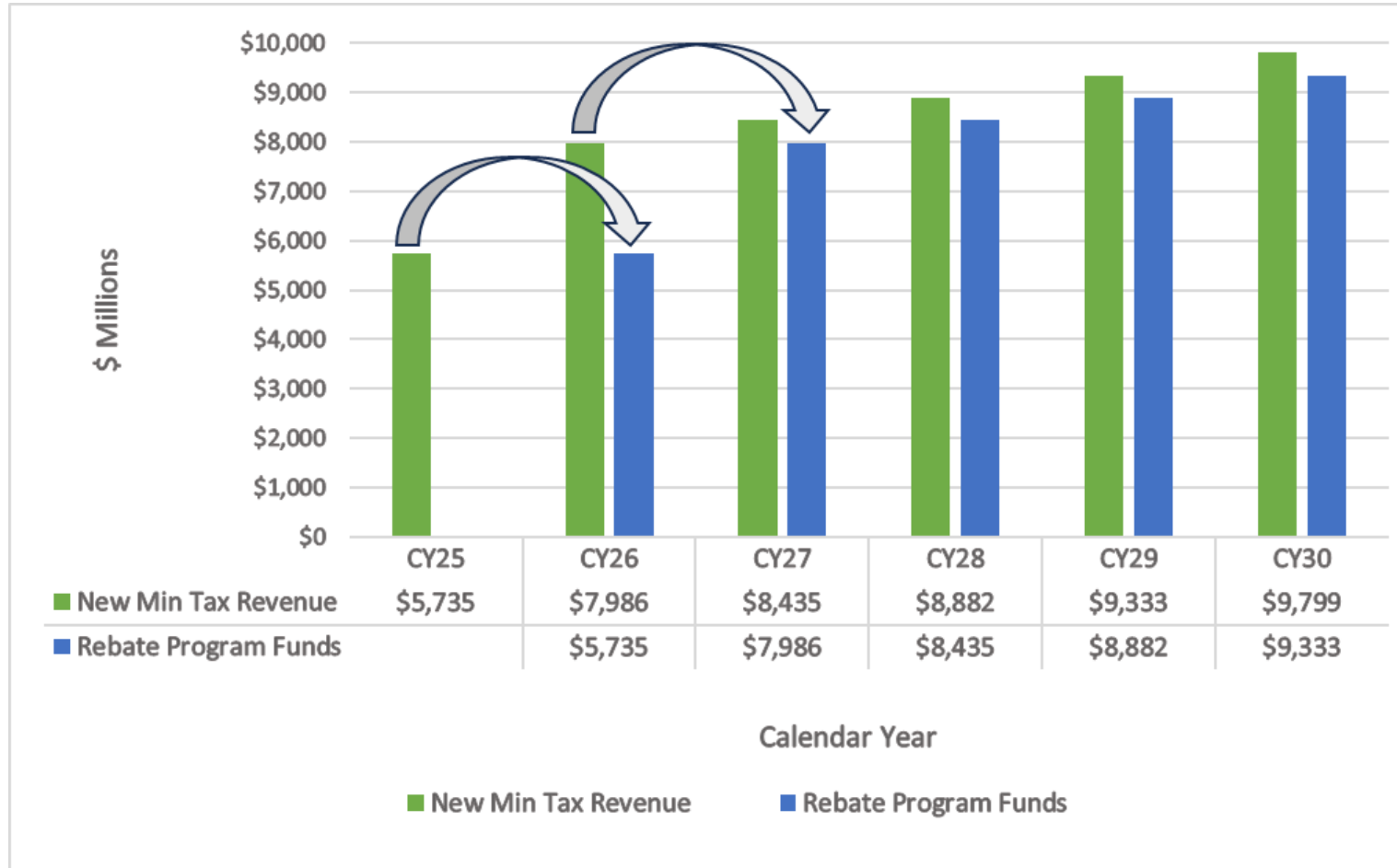


■ Minimum Tax
 ■ Rates Tax
 ■ Net Tax Impact



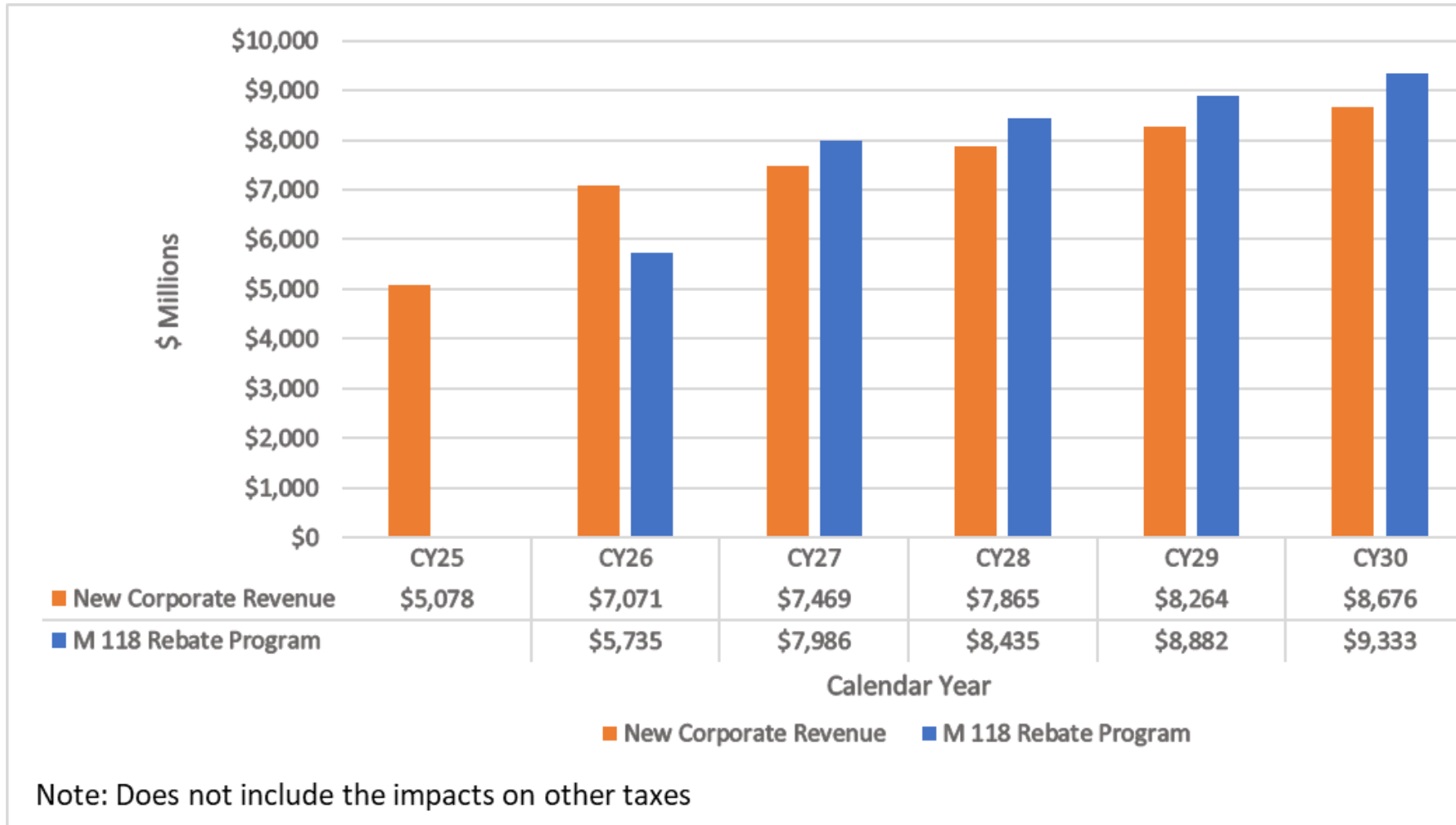


Minimum Tax and Payment Funds





Corporate Revenue and Payment Funds





Other Revenue Impacts

By Fiscal Year, \$M

	FY25	FY26	FY27	FY28	FY29	FY30
Retaliatory Tax	-\$21	-\$69	-\$71	-\$73	-\$75	-\$77
Personal Income Tax	-\$12	-\$103	-\$96	-\$101	-\$106	-\$112
Dynamic Effects	-\$11	-\$60	-\$88	-\$150	-\$222	-\$275
Subtotal	-\$44	-\$233	-\$255	-\$324	-\$404	-\$463



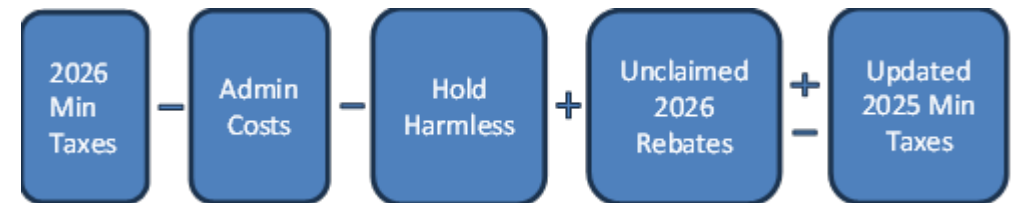
Administration

- Initial minimum tax estimate for the current year
- Administrative costs
- Hold Harmless
- Unclaimed rebates
- Updated minimum tax estimate from prior year

2026 Rebate



2027 Rebate





Cost of Hold Harmless is Unknown

Rebate Year	Oregon Population	Total Program Funds (\$M)	Admin Costs (\$M)	Hold Harmless		Base Rebate Funds (\$M)	Average Base Rebate (\$)
				Share of Funds	Total Funds (\$M)		
2026	4,337,600	\$5,735	\$100	1%	\$57	\$5,578	\$1,286
				5%	\$287	\$5,348	\$1,233
				10%	\$573	\$5,061	\$1,167
				20%	\$1,147	\$4,488	\$1,035
2027	4,361,900	\$7,986	\$100	1%	\$80	\$7,806	\$1,790
				5%	\$399	\$7,486	\$1,716
				10%	\$799	\$7,087	\$1,625
				20%	\$1,597	\$6,288	\$1,442



For More Information

- Legislative Revenue Office
- ~~900 Court St. NE, Room 160~~
255 Capitol St. Ne, 5th Floor (PSB)
- Salem, OR 97301
- 503-986-1266
- <https://www.oregonlegislature.gov/lro>

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