GOVERNMENT

COMMENTARY

Oregon should not follow Congress in giving away more corporate tax subsidies

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The Oregon Legislature can prevent a federal tax cut from becoming law in this state. (Amanda Loman/Oregon Capital Chronicle)

When it comes to tax policy, all too often Oregon fails to fly with her own wings. Rather than heed her motto, Oregon hitches a ride on the back of Congress, no matter how awful the destination.

Right now, Congress is heading toward handing corporations several tax cuts that would accomplish little other than pad corporate profits. These wasteful tax cuts would automatically become Oregon law, sapping hundreds of millions of dollars from the current state budget that could instead be used to invest in Oregonians — unless Oregon lawmakers vote to stop it.

The corporate tax cuts at issue are part of the Tax Relief for American Families and Workers Act of 2024, which passed the U.S. House on Jan. 31 and now awaits a vote in the U.S. Senate. To be clear, the act contains very good tax provisions, including an improvement of the Child Tax Credit, proven to reduce poverty and economic hardship among families with children.

But assembled in the sausage factory that is Congress, the legislation also includes corporate tax breaks that are dubious at best and outright wasteful at worst.

One of these tax breaks, with a price tag of about $83 billion in 2024, would allow corporations to immediately deduct all of what it spends on research, rather than over time, as is currently allowed. Not only is there little evidence that this tax break would spur research, but also the definition of research is vague and easily gamed.

Another of the proposed tax breaks, this one costing about $33 billion in 2024, would let corporations deduct the cost of equipment purchases, again, immediately, rather than over time as had been the case traditionally. As researchers point out, this tax break — like many other corporate tax breaks — wouldn't incentivize businesses to do something they wouldn't do otherwise. What it would do is allow some of the nation's biggest corporations to shrink their tax bills.

Bear in mind that the corporate tax breaks included in the Tax Relief Act come on top of much bigger tax cuts — $1.3 trillion over 10 years — that Congress gave to corporations as part of the Trump tax cuts enacted in 2017.

The benefits of tax breaks ultimately filter down to individuals, and in the case of corporate tax breaks, those individuals tend to be the wealthy. Many of those wealthy individuals are foreign investors, who own an estimated 40% of all the stock in U.S. corporations.

Assuming the U.S. Senate approves the tax package, the corporate tax breaks will also become effective in Oregon, if the Oregon

Legislature fails to act. That's because Oregon automatically connects to certain parts of the federal tax code, and it takes a vote by the Legislature to prevent that from happening.

In case you are wondering, not all provisions of the Tax Relief Act would automatically become part of Oregon law. That's the case with the jewel of the tax package, the improved Child Tax Credit. Oregon children are not in line to automatically get a state version of the tax benefits in the federal tax package; only corporations are.

The Legislative Revenue Office estimates that replicating the corporate tax breaks could cost the state about $230 million in the current budget period. That's money Oregon could invest in making child care more affordable, in preventing evictions through rental assistance or in other ways that improve people's lives.

Corporations will get their tax subsidies if the U.S. Senate approves the tax package, but what does Oregon gain by doubling down on these dubious tax breaks? Why should Oregon use its own money to subsidize corporations and their rich, often foreign, shareholders?

It's bad enough that, as U.S. taxpayers, Oregonians would end up paying for more corporate tax subsidies. It would be even worse if Oregonians end up paying for these corporate tax cuts twice, the second time at the state level.

At times in the past, Oregon lawmakers have chosen to part ways with Congress. They have voted to reject new corporate tax breaks, including provisions similar to those contained in the Tax Relief for American Families and Workers Act.

Oregon has it within her power to fly with her own wings. Oregon lawmakers could take action now to prevent the state from getting saddled with these corporate tax cuts, protecting the interests of Oregonians.

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