

Do Oregon businesses pay their fair share of taxes?

DIANE DIETZ
STATESMAN JOURNAL

The central question in Oregon politics right now -- and at least for the year to come -- is do businesses pay their share of taxes?

Republicans say "heck yes." Democrats say "heck no."

Last fall, the argument produced the single most expensive battle-of-the-ballot-box in Oregon history in the form of the Measure 97 business tax increase.

Oregonian voters rejected it, but the debate carried over into the Oregon Legislature this spring in a proposed gross receipts tax, which failed -- and now a petition drive is under way to bring the question back to the ballot in November 2018.

Oregon voters, it seems, cannot escape the question: do businesses pay their fair share of taxes?

Democrats tend to point to the \$500 million to \$700 million a year in income tax that corporations pay, which is a small sum compared with the \$7 billion that Oregon households pay in personal income tax each year. Case closed? Not so fast.

Businesses pay quite a bit more in taxes, according to the Legislative Revenue Office and the Council on State Taxation (COST) -- both of which produce reliable numbers that are largely unencumbered by political spin.

Businesses also pay property tax, for example. It's the largest single tax that businesses pay nationally and in Oregon, the COST data shows. About 36 percent of the taxes that a business pays is in the form of property tax. In Oregon, voters put a lid on how much property taxes can increase in the 1990s with Measure 5 and Measure 50. Consequently, property taxes in Oregon are unremarkable compared with other states and the nation as

a whole.

The corporate income tax, meanwhile, has bumped along at the bottom of the tax charts. That's because fewer corporations are paying taxes in Oregon as time goes by. In 1990 35,510 corporations filed state tax returns. By 2014, the number had dropped to 29,376, a slide of 17 percent. What does that mean? Are corporations fleeing a tax-happy state?

No. Over the past 25 years, corporations nationally have shape shifted into a different business form to avoid paying the 35 percent federal corporate income tax rate. They became S-corps and Limited Liability Companies (LLCs).

The Internal Revenue Service allows S-corps and LLCs to pass their profits on to their members or shareholders -- where they can pay taxes on the business income at the lower personal rate. In addition, the S-corp form allows the business owners a great deal of flexibility about whether to pay the business owners wages -- which might be liable for employment taxes -- or to keep the money as business income, whichever is the most advantageous.

In Oregon, S-corps grew from 18,437 in 1990 to 61,427 in 2014 -- an increase of 233 percent. The state even gives pass-through taxpayers a sliding scale break on state taxes equal overall to about a 25 percent reduction in pass-through tax collections.

So, basing an argument on the low corporate income tax without including the pass-through taxes that business owners pay gives a false picture. Most years, Oregon collections of pass-through taxes are equal to the revenue the state gets from regular corporations. Some years, the pass-through revenue is greater. This allows Republicans to conclude that businesses in Oregon are paying their fair share.

Should you?

The picture, again, is not so simple. Oregon businesses still pay significantly less than their counterparts in other states. For all states, business taxes comprise 44 percent of all taxes, while in Oregon the figure is 37.2 percent, COST data shows.

Oregon ranks second from the bottom of the 50-state pack with business taxes as a share of gross state product of 3.6 percent. Connecticut is 3.5 percent.

Oregon also ranks near the bottom for business tax per employee at \$4,300, compared to \$3,800 in Missouri, \$4,000 in Michigan and Vermont, \$4,100 million in Indiana and North Carolina and \$4,300 in Georgia. The U.S. average is \$5,800, according to COST.

That's largely because Oregon businesses pay no sales tax, unlike their counterparts in 45 other states. In those states, 42 percent of the sales tax revenue comes from business-to-business sales, such as an attorney's office buying paper from Staples, according to the COST data.

Oregon makes up some of the gap with a higher-than-average income tax rate. The state's per capita income tax collections are the sixth highest in the nation at \$1,814, according to the Tax Foundation, a nonprofit think tank.

Similarly, Oregonians pay more in government fees than in all but six states, U.S. Census figures show. Since the 1990s, Oregon has slowly become more of a pay-to-play state. But the biggest share of the fee revenue comes from tuition paid at the state's seven universities and 17 community colleges, although businesses -- particularly in forestry, agriculture, parks and recreation -- pay out-of-pocket for many state services.

The heightened collections, however, do not bring Oregon businesses up to av-

erage compared with other states. Legislative Revenue Officer Paul Warner estimates it would take a 3 percent to 5 percent sales tax to bring Oregon businesses in line with other states. The gross receipts tax under consideration in the last legislative session would have brought Oregon closer to average.

Would that be fair? "There is some reality, but there's also perspective," Warner said.

From the Democrat's perspective, if businesses paid as much as the national average, the state could make some sorely needed improvements in schools. Half of Oregon's third graders lag in reading and writing. One quarter of Oregon high school students drop out. Schools say they need more money to do better.

The gross receipts business tax mullied by the Legislature would have been explicitly dedicated to the schools.

From the Republican perspective, businesses are saddled with plenty of taxes in Oregon and adding more would hamper their ability to compete. The Tax Foundation's 2017 business tax climate index placed Oregon among the 10 most competitive states in the nation because of the lack of a sales tax and lower business property taxes.

But Oregon's businesses have a stake in how good schools are. They need employees who can read, write, code and think through difficult problems. COST tries to quantify the benefit businesses get compared with the taxes businesses pay, including the roads, policing and education they use.

The study found Oregon is one of a handful of states where businesses gets more than they pay for -- \$1 of benefit for every 80 cents of taxes businesses pay.

ddietz@statesmanjournal.com, 503-399-6615 or follow at twitter.com/diane_dietz.

Universities rent dorms for eclipse; some openings left

NATALIE PATE
STATESMAN JOURNAL

Still looking for a place to stay for the 2017 solar eclipse? University dorms may be the answer.

An estimated one million visitors are expected to travel to the eclipse's path of totality, which passes over several Oregon cities including Lincoln City, Salem and Madras on Aug. 21.

Some universities, including Western Oregon, Oregon State and Eastern Oregon, are renting dorm rooms or camping spots for the big event and still have spaces available. But act fast -- these offers won't be around long.

In Salem, Willamette University, Corban University and Chemeketa Community College will host viewings and a variety of events for the eclipse, but will not be renting out dorm rooms. The University of Oregon is not in the path of to-

tality and not hosting guests in its dorms. Here are some lodging opportunities to look into.

Western Oregon University

City: Monmouth
Cost: \$150-190* for camping spaces.
Package: Rates are per room, two-night minimum (Saturday, Aug. 19 & Sunday, Aug. 20). Guests will have access to showers and restrooms.

Spaces available (as of July 26): Sold out, but a few camping spaces are still available that can be reserved online.

Contact: Call 503-838-8658, email conferences@wou.edu or register online at www.wou.edu/eclipse/lodging/.

Oregon State University

City: Corvallis
Cost: \$265-562.50

Package: Lodging for Saturday (Aug. 19) and Sunday (Aug. 20), with the option to add Friday (Aug. 18) and/or Monday (Aug. 21). Package includes wireless internet, breakfast and dinner in the dining halls and access to university facilities like the gym.

Spaces available: Family lodging is sold out, but there are 18 single-person rooms and 15 two-person rooms left for individuals, excluding minors, as of July 26.

Contact: Call 541-737-9300, email conferences@oregonstate.edu or go online to blogs.oregonstate.edu/eclipselodging/.

Eastern Oregon University

City: La Grande
Cost: \$500. The cost is paid in full at the time of reservation and is not refundable.

Package: The cost includes the rental from Aug. 19 through Aug. 22. The rooms hold up to five people and include kitchenettes with a full refrigerator and microwave, a full bathroom and common room.

Spaces available: The university is accepting forms to fill its 60 available units. More than 80 have been submitted but anyone else can submit a form to be added to the waitlist and may receive a spot.

Contact: Call 541-962-3575, email schedule@eou.edu or go online to www.eou.edu/events/solar-eclipse-lodging/.

Contact Natalie Pate at npate@StatesmanJournal.com, 503-399-6745, or follow her on Twitter @NataliePate or on Facebook at www.Facebook.com/nataliepatejournalist

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