

More disgraceful than the lottery: Oregon's corporate income tax

Juan Carlos Ordóñez is communications director for the Oregon Center for Public Policy (www.ocpp.org). The Center uses research and analysis to advance policies and practices that improve the economic and social opportunities of all Oregonians.

BY JUAN CARLOS ORDÓÑEZ
CONTRIBUTING COLUMNIST

If you want a glimpse of the shameful state of Oregon's corporate income tax, look no further than your nearest bar or restaurant with a video lottery machine.

Walk inside and you might see someone sitting alone, gambling for hours until the machine has vacuumed their wallet clean. Such players make up a small slice of those who bet on video slot and poker machines, but the piles of cash they lose each year add up to the majority of the revenue collected by the Oregon Lottery, according to an investigation by *The Oregonian* a few years ago.

A separate analysis by the state's paper of record last year determined that more than half of the roughly 12,000 video lottery terminals can be found in lower-income neighborhoods. That finding was consistent with studies concluding that state lotteries generally bring in most of their money from poor people praying for a lucky break.

What does this have to do with Oregon's corporate income tax? Nothing less than the fact that the Oregon Lottery puts more money into state coffers than the corporate income tax.

That's right. A tax paid mainly by Oregonians struggling to make ends meet or with a gambling addiction (or both) does more to support our state's schools and other vital public services than Bank of America, Verizon, Walmart and all the other corporations doing business in Oregon combined.

This scenario is even more shameful when you consider the inefficiency — as a source of state revenue — inherent in the Lottery. Of the \$1.1 billion lost by players last year to the Oregon Lottery, only about half (49 percent) wound up transferred to the state to help fund public services. About 19 percent went back to players in the form

of prizes. The remaining third (32 percent) of the money lost by players went simply to pay for the lottery itself — to cover the cost of commissions, salaries, equipment, marketing and the like. (Compare that to the efficiency of the Oregon Department of Revenue, which administers the income tax and other tax programs: Its budget amounts to less than 2 percent of the tax revenue it collects.)

It wasn't always this way.

Before the Oregon Lottery came into being, the corporate income tax was a much better contributor to the common good. In the mid-1970s, corporations paid about 18 percent of all income taxes collected by the state. Today, the corporate share has shrunk to about 7 percent.

Over the decades, corporations succeeded in gaming the tax system. Their lobbyists at the state capital earned their keep by obtaining a bevy of corporate loopholes and subsidies. Their lawyers and accountants also served them well, devising clever ways of avoiding taxation.

Corporations succeeded to such an extent that, in recent years, some corporations with profits in the millions even managed to pay zero in Oregon income taxes — in spite of Oregon's modest corporate minimum tax.

But just because corporations have shed much of their tax responsibilities, it doesn't mean that they thumb their noses at what the tax system offers. One the one hand, the tax system pays for, among other things, the schools that educate and train their workers, the courts that resolve their disputes and the public safety services that protect their property. On the other hand, the tax system directly subsidizes corporations through a long list of tax credits, deductions and subtractions.

In 1984, still reeling from the impact of a severe recession, Oregon voters approved a ballot measure establishing the Oregon Lottery. Eight years later, the lottery

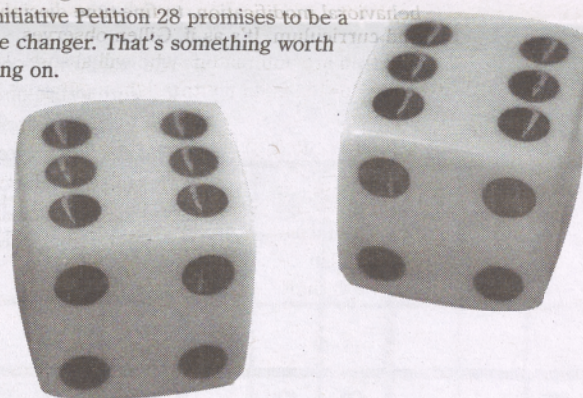
reached a "milestone" with the introduction of video lottery games — "the first 24-hour, centrally controlled gaming system in the country," the lottery boasts. Since then, the lottery's transfers to the state budget have more than tripled, in inflation-adjusted dollars.

Ultimately, what we've witnessed over time is not just corporate tax retrenchment. We've seen a corporate tax shift — a shift in the responsibility of paying for the public services that create a strong business climate away from corporations and toward those least able to carry the load.

Oregonians may have an opportunity to address this situation in November. Signatures are being collected for a petition put forward by A Better Oregon that would raise taxes on large, mainly out-of-state, corporations. If voters approve it, Initiative Petition 28 will bring in billions of dollars to invest in our schools, health care system and senior services. Hopefully, some of the revenue will help our state kick its addiction to gambling revenue.

Initiative Petition 28 promises to be a game changer. That's something worth betting on.

In the mid-1970s, corporations paid about 18 percent of all income taxes collected by the state. Today, the corporate share has shrunk to about 7 percent.



Life of Ours

by Aurora Le'Noirée

This life of ours — streets and shelters.
People claim we can do better — or need to go.
Where we're told to get up with little rest.

Some so medically disadvantaged; mentally frail,
emotionally low, hated
by an indiscriminating social stance.

Monetary status,
disqualified as equals; less than,
revolutionaries before a nation formed — torn.
By a new monarchy ruling; this life of ours.

How do you share health?

At Health Share, we believe good health is more than what happens inside your doctor's office. Good health starts in your community and includes staying active, eating healthy food and getting regular check-ups.

Share your healthy habits with family and friends. We can all have better health when we share it together.

health
share

Better health
together.

www.healthshareoregon.org

