

# Questions and answers with an economist on Measure 97

Mary C. King is a Professor of Economics Emerita, Portland State University. Here she addresses common questions around Measure 97, the corporate tax on the upcoming November ballot. This is the second in a series of columns for Street Roots from Oregon economists about the controversial ballot measure.

**BY MARY KING**  
CONTRIBUTING COLUMNIST

**Q** What will Measure 97 do?

**A:** Measure 97 will raise taxes on C corporations with sales over \$25 million a year in Oregon. Only one in 400 businesses – the very biggest operating in Oregon – will have to pay more.

**Q:** Why should corporations pay more Oregon taxes?

**A:** Oregon kids are being shortchanged. Twenty-five years of cuts have left us with the fourth worst graduation rates in the country, the third largest class sizes, and a school year that averages two weeks less than the minimum most states require.

Passing this measure will only restore per pupil spending to where it was in the late 1980s, adjusted for inflation. That will take a \$1 billion addition to our school budgets each year. We should do better, and we also need to invest in public health and senior



Mary King

services to meet the challenge of an aging population.

**Q:** Is it really true that Oregon businesses pay the lowest taxes in the country?

**A:** Yes! Corporate lobbyists never stop whining about their “terrible tax burden” and that whining pays off! Corporations pay less in taxes in Oregon than in any other state, while using our infrastructure and

complaining about the quality of our schools.

Two big economic consultants, Ernst & Young and the Anderson Economic Group, examined state tax burdens by comparing all state and local taxes paid by businesses with their profits and the size of the state economy. Both find there’s no state in the country where corporations pay less than in Oregon.

**Q:** But small business owners are paying taxes, right?

**A:** Measure 97 does not increase small businesses’ taxes at all, because small businesses already contribute their fair share. But the biggest, most profitable, corporations no longer do. These giant companies hide their profits offshore and spend millions lobbying for big tax breaks; federal tax breaks reduce Oregon tax revenues because the Oregon corporate income tax form starts with the amount of “taxable income” from the corporation’s federal tax return.

Corporations now pay just one-fifteenth of Oregon state’s income taxes, down from three times that in the mid-1970s.

**Q:** Big business pays a bundle to lawyers and accountants to avoid taxes; why won’t they escape this one?

**A:** Measure 97 is designed to prevent tax avoidance because it taxes sales, which companies must report. There’s no way to fudge sales, unlike profits, which corporations can estimate after they spend millions lobbying, pay their CEOs outrageous salaries, travel first class and keep everyone wined and dined on the corporate expense account.

**Q:** Why won’t corporations be able to pass the tax on to consumers?

**A:** This is not a sales tax that will be levied on consumers. The few firms affected have to compete with the huge proportion of businesses that won’t see a tax increase. They will have to keep their prices down to stay competitive.

Also, big chains tend to set prices nationally. Their prices aren’t any higher in states where they pay a lot more in state and local taxes.

**Q:** If corporations can’t escape this tax, why do some people say it will hurt low-income people?

**A:** Sadly, some people are being paid to say whatever will persuade voters not to pass Measure 97 to raise taxes on big corporations.

Others think that these large companies are operating on such low margins that they will have no choice but to pass the tax on. But corporate profits have been at historically high levels for years.

Finally, some analysts can’t report that the tax increase will be paid out of profits above the minimum necessary just to stay in business because their models don’t even include that possibility! For example, the Oregon Legislative Revenue Office (LRO) has to use a simplified model of the economy that assumes that companies never earn more than they need just to pay expenses, including the smallest possible returns to their investors.

**Q:** Big corporation ads call this a regressive tax, but don’t they push for taxes targeted especially on lower-income people?

**A:** Yes, the business lobby is being completely hypocritical in their opposition to Measure 97. They regularly lobby the legislature to adopt regressive taxes, which take a bigger bite out of the budgets of lower income families than better off households. The Oregon business lobby’s idea of tax reform is a sales tax, which all economists acknowledge is regressive.

Oregon now raises more revenue from the lottery than from corporate income taxes, though lotteries are notoriously regressive, while corporate income taxes are paid by the wealthy.

**Q:** Why would opposition TV ads say health care bills will go up when nonprofits play such

a big role in Oregon health care?

**A:** Opponents of Measure 97 hope to frighten voters, regardless of the truth, in order to avoid taxation on the high profits being earned in the for-profit part of the health care system.

Lots of health care providers and insurers in Oregon – including Kaiser, Providence and Adventist – are nonprofits and their taxes won’t be affected by Measure 97. They’ll be happy that the state can insure more people through the Oregon Health Plan and invest in public health measures.

As for prescriptions, pharmaceutical companies are national and international. Overall, the firms affected by Measure 97 make only a fifth of 1 percent of their total annual sales in Oregon. Our tax increase will just slightly reduce their global profits.

High-earning corporations in every industry should be contributing their fair share to the public programs Oregonians need that provide in-home care to seniors and people living with disabilities.

**Q:** If states more prosperous than Oregon charge higher business taxes, what other policies should we pursue to build a strong economy?

**A:** The most important economic policies we can enact are those that create the physical and social infrastructure that allows families and businesses to thrive. That means investing in our schools, health, social services and physical infrastructure.

Economies are strongest when the highest proportion of people can participate, because they have good health, good educations and high quality, affordable care for children, seniors and people living with disabilities.

Businesses prefer that others pay for the schools and infrastructure, but when firms decide where to locate they’re looking for a skilled workforce, good schools that help recruit strong employees and an environment in which their executives want to live. That is what Measure 97 can help us achieve.

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