Doubts arise on whether corporate tax cut would boost growth

By JOSH BOAK
AP Economics Writer

WASHINGTON — For President Donald Trump, what's good for General Motors is great for American workers. Same for Boeing. And AT&T. Not to mention small businesses.

Trump insists that slashing the corporate tax rate from 35 percent to as low as 15 percent would free up valuable cash. Companies would use the money to boost investment, increase employees' pay, accelerate hiring and speed economic growth. What's more, corporations that now keep trillions overseas to avoid U.S. taxes would bring the money home. American companies could better compete with rivals based in countries with lower tax rates.

"We're going to have magnificent growth," Trump declared aboard Air Force One on Thursday. "We're going to go like a rocket ship."

Would we? Many economists, tax experts and even some business owners say it's unlikely. Rather than hire, companies might use much of their tax savings to buy back their stock or increase their dividends to investors. Many companies, they note, have already been able to borrow at historically low rates to expand their businesses yet have chosen not to.

"The mainstream economic evidence is that the bulk of corporate rate tax cuts go exactly to whom you would expect — which is wealthy investors and executives," said Chye-Ching Huang, deputy director of federal tax policy at the left-leaning Center on Budget and Policy Priorities.

Many economists foresee some benefits from overhauling and simplifying the corporate tax code, just not the extreme growth Trump is promising.

One reason corporate tax cuts might provide little overall benefit is the relative health of today's economy. Unemployment is already unusually low at 4.4 percent. The economy is in the ninth year of a slow but steady expansion, rather than in a downturn in which tax cuts might deliver a major boost.

In a 2014 paper, two economists — Alexander Ljungqvist of New York University and Michael Smolyansky of the Federal Reserve — concluded that state corporate tax cuts did little to strengthen economic activity unless the cuts were made during a recession. (The flip side is that they found corporate tax increases to be "uniformly harmful.")

Nor have previous efforts to reduce corporate taxes generally delivered as advertised. Kansas, for example, exempted hundreds of thousands of businesses from corporate taxes and cut individual rates in 2012, only to face a revenue squeeze as the intended economic growth never materialized.

The federal government provided a tax "holiday" on overseas profits in 2004 to bring money back into the United States at a discount to the 35 percent rate. But the Obama administration observed later that the move had diminished tax revenue and unintentionally led companies to hoard cash abroad in hopes of receiving that discount.

There is also concern that a corporate tax cut would swell the federal budget deficit. When the nonpartisan Tax Policy Center published an analysis this week, it found that even if virtually all tax breaks were eliminated, the corporate rate could drop only to 26 percent without increasing the deficit.

Still, many companies stress that lower business taxes would lead to more hiring. John Stephens, AT&T's chief financial officer, said his company faces a typical tax rate of 34 percent — including federal, state, foreign and deferred taxes — in any given year.

Stephens estimates that lower rates would lead the company to immediately invest more money in its phone network, which he said would lead to more hiring by companies that work with AT&T.

"When we buy more equipment, our vendors hire more," Stephens said. "When we build more extensive networks, we have people — hard-hat jobs — building those networks."


AP Photo/Evan Vucci
President Donald Trump talks with reporters after landing on Air Force One, in Fort Myers, Fla., on Thursday.

BRIEFLY

Baker Boyer promotes bank official

WALLA WALLA — Karen Benge was recently promoted to the vice president and asset management operations manager at Baker Boyer Bank.

Benge graduated with a bachelor's degree from Washington State University in 2010. She began her career with Baker Boyer Jan. 30, 2013, as an investment associate for the trust department. She was promoted to assistant investment operations manager in December 2014, advancing to manager in May 2015, and then as an assistant vice president in May 2016.


Benge

Established in 1869, Baker Boyer Bank continues to grow and build on strong community ties. In addition to locations in Washington, the bank has a branch in Milton-Freewater. For more information, visit www.bakerboyer.com.

Bus tour cruises into Port of Morrow

BOARDMAN — Highlighting one of Oregon's largest ports, the Boardman Chamber of Commerce is hosting its annual Port of Morrow Bus Tour.

Participants can learn about various businesses that are located at the port, information about the infrastructure, and developments and plans for the future at the Port of Morrow.

The event is Wednesday, Sept. 20 with boarding beginning at 11:55 a.m. at the port's Riverfront Center, 2 Marine Drive, Boardman. Due to limited seating, people must RSVP. In addition, a box lunch is available from C&D Drive-In. The cost is $12.

For more information or to RSVP, contact 541-481-3014 or info@boardmanchamber.org.

Heppner chamber lunch features agricultural program update

HEPPNER — Larry Lutcher will provide an update on the Morrow County Agricultural Program during the upcoming Heppner Chamber of Commerce meeting.

The no-host luncheon is Thursday, Sept. 21 at noon at Heppner City Hall, 111 N. Main St. Catered by Tacos Hometown, the meal is $10. Those planning to attend need to RSVP by Tuesday and designate a choice between a chicken or beef burrito, which will be served with chips and salsa and a cookie.

In addition, Heppner is hosting the sixth annual Blue Mountain Century Scenic Bikeway Ride this weekend. The chamber encourages the public to welcome visitors to the community.

For more information or to RSVP for the lunch, contact 541-676-5536 or heppnerchamber@centurytel.net.

Fairway Independent Mortgage opens new branch in Hermiston

HERMISTON — Hermiston now has its own branch of Fairway Independent Mortgage Corporation.

The newly-renovated office at 308 E. Gladys Ave. is still being touched up, but is open for business with loan officers Kim Arbogast and Meghan Golden.

Arbogast started her career in the industry in 1996 with Bank of Eastern Oregon, then started Hometown Mortgage Group in 2009. She and business partner Melissa Webb decided to split up their business and Arbogast opened the Fairway office. She said she was excited to make a change.

"It's a good move," she said.

Arbogast and her husband Ty Arbogast raised their four daughters in Heppner before moving to Hermiston in 2011.

Fairway Independent Mortgage Corporation has funded more than $50 billion in home mortgage loans since it opened more than 20 years ago, according to the company's website, and acts as an advisor to would-be homebuyers through the finance process. It offers adjustable-rate, conventional, FHA, fixed-rate, jumbo, refinance, renovation, reverse mortgage, USDA and VA mortgage options.

The office is open from 9 a.m. to 5 p.m. Monday through Friday.

Key Equifax executives departing after huge data breach

By KEN SWEET
AP Business Writer

NEW YORK — Equifax announced late Friday that its chief information officer and chief security officer would leave the company immediately, following the enormous breach of 143 million Americans' personal information.

It also presented a litany of security efforts it made after noticing suspicious network traffic in July.

The credit data company said that Susan Mauldin, who had been the top security officer, and David Webb, the chief technology officer, are retiring from Equifax. Mauldin, a college music major, had come under media scrutiny for her qualifications in security. Equifax did not say in its statement what retirement packages the executives would receive.

Mauldin is being replaced by Russ Ayers, an information technology executive inside Equifax. Webb is being replaced by Mark Rohrwasser, who most recently was in charge of Equifax's international technology operations.

Equifax has been under intense public pressure since it disclosed last week that hackers accessed or stole the millions of Social Security numbers, birthdates and other information.

On Friday it gave its most detailed timeline of the breach yet, saying it noticed suspicious network traffic on July 29 associated with its U.S. online dispute portal web application. Equifax said it believes the access occurred from May 13 through July 30.

Equifax had said earlier that it identified a weakness in an open-source software package called Apache Struts as the technological crack that allowed hackers to heist the data from the massive database maintained primarily for lenders. That disclosure, made late Wednesday, cast the company's damaging security lapse in an even harsher light. The software problem was detected in March and a recommended software patch was released shortly afterward.

Equifax said its security officials were "aware of this vulnerability at that time, and took efforts to identify and to patch any vulnerable systems in the company's IT infrastructure."

The company said it hired Mandiant, a business often brought in to deal with major technology security problems at big companies, to do a forensic review.

Equifax has been castigated for how it has handled the breach, which it did not disclose publicly for weeks after discovering it.

Consumers calling the number Equifax set up initially complained of jammed phone lines and uninformed representatives, and initial responses from the website gave inconsistent responses. The company says it has addressed many of those problems. Equifax also said Friday it would continue to allow people to place credit freezes on their reports without a fee through November 21. Originally the company offered fee-free credit freezes for 30 days after the incident.

Equifax is facing a myriad of investigations and class-action lawsuits for this breach, including Congressional investigations, queries by the Federal Trade Commission and the Consumer Financial Protection Bureau, as well as several state attorneys general. The company's CEO Richard Smith is scheduled to testify in front of Congress in early October.

Three Equifax executives — not the ones who are departing — sold shares worth a combined $1.8 million just a few days after the company discovered the breach, according to documents filed with securities regulators.

Equifax shares have lost a third of their value since it announced the breach.