League of Women Voters State Ballot Measure Review 2016
Measure 97 Oregon Corporate Tax Increase

Increases corporate minimum tax when sales exceed $25 million; funds education, healthcare, senior services.
Initiative: This measure is a statutory amendment placed on the ballot by initiative petition with an estimated 99,272 valid signatures.
Financial Impact: The measure is anticipated to increase state revenues by $548 million from January 1 through June 30 of 2017 and by approximately $3 billion each year beginning July 1 after that. The financial impact on state expenditures by program is indeterminate; the measure states that the funds are to be used for education, healthcare and senior services.
Probable results of a YES VOTE: If this measure passes, it would increase the corporate minimum tax by establishing a 2.5 percent tax on corporate gross Oregon sales above $25 million with the revenue going into the General Fund with the intent that it be used for education, healthcare and senior services.
Probable results of a NO VOTE: If this measure fails, it would retain the existing corporate minimum tax rates based on gross Oregon sales; there would be no increased revenue.
Background: Measure 5, passed in 1990, capped and reduced property taxes for homeowners and businesses; it also transferred responsibility for school funding from local government to the state to equalize funding. Measure 50, passed in 1997, set lower property tax rates and limited annual growth. These tax cuts coupled with a growing population, a recession, and low PERS investment returns in recent years have required school districts and state agencies to cut their budgets. Many Oregonians believe that more revenue is needed to adequately fund public education, healthcare, and senior services.
There are two main types of corporations. An S-corporation apportions corporate income to its shareholders, who pay personal income tax on it, and the corporation pays a $150 flat tax.
A "C"-corporation pays either a minimum tax of approximately 0.1% of their Oregon sales or 6.6% of their taxable income up to $1 million (7.6% of taxable income above $1 million), whichever is greater. The minimum tax is capped at $100,000 on Oregon sales above $100 million. Most corporations pay the minimum tax on Oregon sales. The corporate minimum tax and corporate income tax are commonly referred to as "Oregon corporate income tax."
Among the Oregon "C"-corporations that say they will be affected by passage of Measure 97 are Lithia Motors, Powell's Books, Pacific Power and Wilco. National retailers that would be affected include Comcast, Bank of America, Walmart, Amazon, Kroger (Fred Meyer), Lowe's, and Wells Fargo. According to the Legislative Revenue Office (LRO), while the amount of revenue paid by corporations has increased over the years, the percentage of total state tax revenue paid by corporations has stayed nearly flat. The Oregon Center for Public Policy calculated that corporations paid 18.5% of total state revenue in 1973 and only 6.7% now.
Proposal:
Measure 97 would affect only "C'-corporations that do not have enough taxable income to pay income tax and, therefore, pay the minimum tax on Oregon sales. The measure would retain the current approximate 0.1% tax rate on Oregon sales below $25 million. Measure 97 would raise the minimum tax rate to 2.5% on the portion of Oregon sales above $25 million and remove the cap. The measure is expected to generate $548 million in new revenue in the current biennium and $3 billion each year thereafter.
Measure 97 exempts "benefit companies" from the 2.5% tax rate on sales over $25 million; they would continue to pay the current 0.1% minimum tax on all Oregon sales. (A benefit company aims to make a positive impact on society and the environment in addition to earning a profit.)
In analyzing the potential economic effects of Measure 97 the Legislative Review Office assumed that, because Oregon sales are heavily concentrated in domestic consumer sectors—primarily the retail trade, wholesale trade and utility sectors—the measure would largely act as a consumption tax and would likely result in somewhat higher prices in those sectors.
According to the LRO's model of this tax, Measure 97 could be expected to dampen income, employment and population growth over the next five years, but all of these changes would be within 1% of projections under current

tax law. An estimated 38,200 private sector jobs would be lost from projected growth (over half of them in lower-wage retail, wholesale trade and health services) and an estimated 17,700 higher-paying public sector jobs would be added over the next five years. (A study by Portland State University's Northwest Economic Research Center (NERC) using modeling similar to that of the LRO, suggested different numbers for the next ten years: a loss of 4,000-20,000 private sector jobs and a gain of more than 30,000 government jobs.) None of the models include estimates of the potential economic impacts of significant investments in education, healthcare, and senior services.

The LRO said that Measure 97 would increase stability of state revenue over the business cycle. However, for the approximately 1000 C-corporations with Oregon sales over $25 million the 2.5% marginal tax rate would be higher than the rate in the six other states with a similar gross receipts tax. As a result, corporations with large tax increases due to Measure 97 might make changes to their corporate status to reduce their taxes.

Measure 97 states that the revenue is to go to education from early-childhood and kindergarten through 12th grade as well as for healthcare and services to senior citizens. However, the measure does not set a percentage of revenue to be applied to each, and Legislative Counsel has stated that the legislature would decide how the funds would be used.

Supporters Say:

• Measure 97 would not raise prices on most consumer goods since corporations charge the same prices regardless of tax levels in the various states where they sell goods. • Oregon needs Measure 97 because Oregon has the 4th lowest high school graduation rate in the nation; nearly 400,000 Oregonians lack health coverage; and more and more seniors are retiring into poverty.

• Measure 97 is designed to hold large and out-of-state corporations accountable to paying their fair share of Oregon taxes so that we can make critical investments in our children and most vulnerable citizens.

• Under Measure 97 state revenue would gain stability over the business cycle so school budgets wouldn't have to be cut so severely during recessions.

Opponents Say:

• Measure 97 would cost the typical Oregon household more than $600 each year in higher prices for food, medicine, clothing, housing, utilities and other essential goods and services; it is a regressive tax, hurting most the families who can least afford it.

• Measure 97 does not guarantee the revenues will go to schools, healthcare or anything else; the legislature will decide how to use it.

• Measure 97 would hurt all Oregon employers and small businesses by increasing their operating costs and making them less competitive. The LRO study concluded that over 38,000 jobs would be lost.

• Measure 97 taxes sales instead of profits. It means businesses could actually lose money and still be required to pay the tax.

How We Researched the Ballot Measures

League of Women Voters members have researched and written these ballot measure reports. Researchers try to verify all factual information. We work diligently to ensure that our reports are balanced, accurate, and fair. We strive to provide the information you need to make an informed VOTE! Our sources include:

- Financial Impact and Explanatory Statements from the Secretary of State
- Measure supporters and opponents
- State agencies and economists
- Reports and published information, including current press coverage