

Oregon businesses pay fair share of taxes - Addendum

The best response to an Oregon Democratic candidate or official [saying that revenues are now 93% from individuals and 7% from business and corporations](#) in Oregon's tax structure is to reply that's both inaccurate and extremely deceptive. It is more accurate and honest [to say that Oregon businesses pay a third of all state taxes and half of local taxes](#).

For those who are interested in driving further down into the details, this addendum has been created to supplement the original article [Oregon businesses pay fair share of taxes](#) in Oregon Catalyst.

Businesses Pay More Income Taxes than Just "Corporate Income Tax"

Based on [Oregon's June 2014 Revenue Forecast](#), Corporations pay 7% of Oregon's **income** taxes and the remaining 93% is personal **income** taxes.

2013-15 General Fund Forecast Summary			
(Millions)	June 2014 Forecast	% of Gross GF Revenues	% of Income Taxes
Structural Revenues			
Personal Income Tax	\$13,816.7	87.4%	93.2%
Corporate Income Tax	\$1,007.6	6.4%	6.8%
Income Taxes	\$14,824.3	93.7%	100.0%
All Other Revenues	\$990.7	6.3%	
Gross GF Revenues	\$15,815.0	100.0%	

Source: State of Oregon: Oregon Economic and Revenue Forecast - June 2014

Note, however, that "corporate income tax" is not the same as "business income tax" for Oregon – it doesn't include individual income taxes paid by owners of non-corporate (pass-through) businesses – those business taxes would be included in "Personal Income Tax."

The Tax Foundation [explains](#) *"Pass-through entities' (partnerships, LLCs, and S corps) are business forms that states recognize that still have some privileges under the law like ability to sue and limited liability. One reason why corporate income tax collections appear to have declined over time is because businesses that once would have been 'C-corporations' are now taking these other forms. They're still paying taxes, just through the individual code and not the corporate code."*

Similarly, the Council On State Taxation (COST) [says](#) *"the greatest reason for the decline in state corporate income taxes is the tremendous growth in the use of limited liability companies (LLCs) and other pass-through entities – whose owners report their income and pay taxes through state personal income tax returns. Most states did not recognize LLCs until the mid-90s. Since then their use has grown exponentially as business owners recognized the benefits of a single-level tax coupled with limited liability protection."*

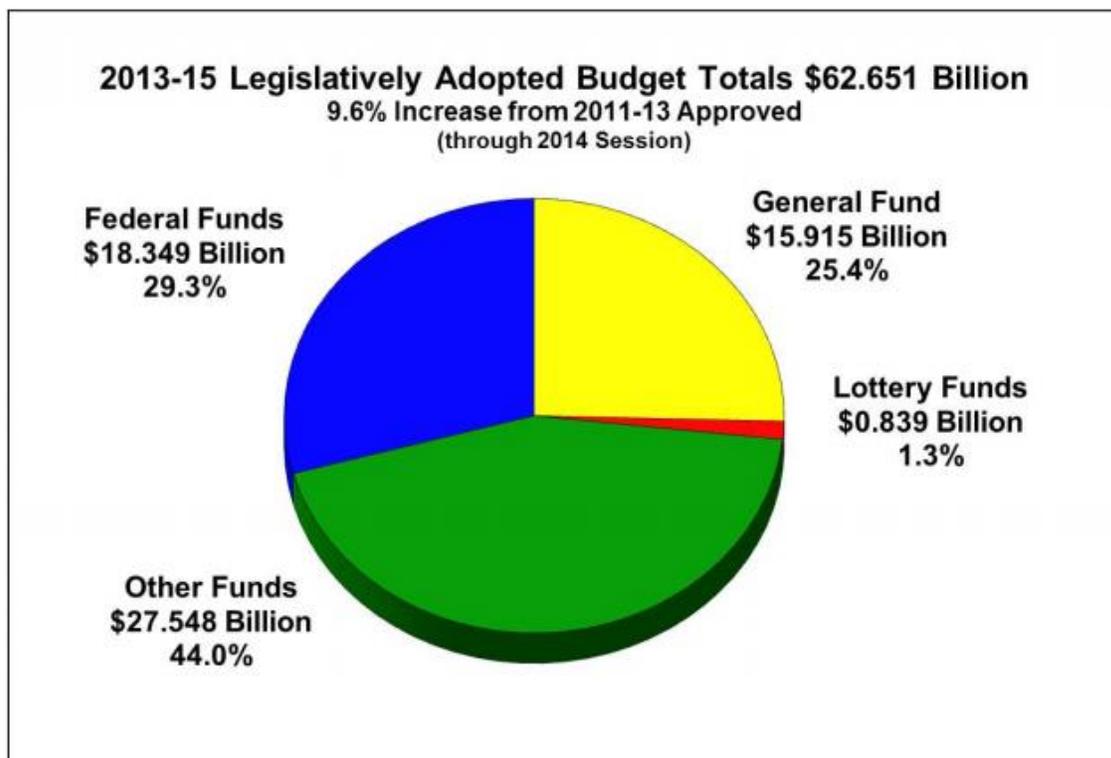
The Congressional Budget Office (CBO) [noted in 2012](#) that *"Over the past few decades, the proportion of firms organized as pass-through entities and their share of business receipts have increased*

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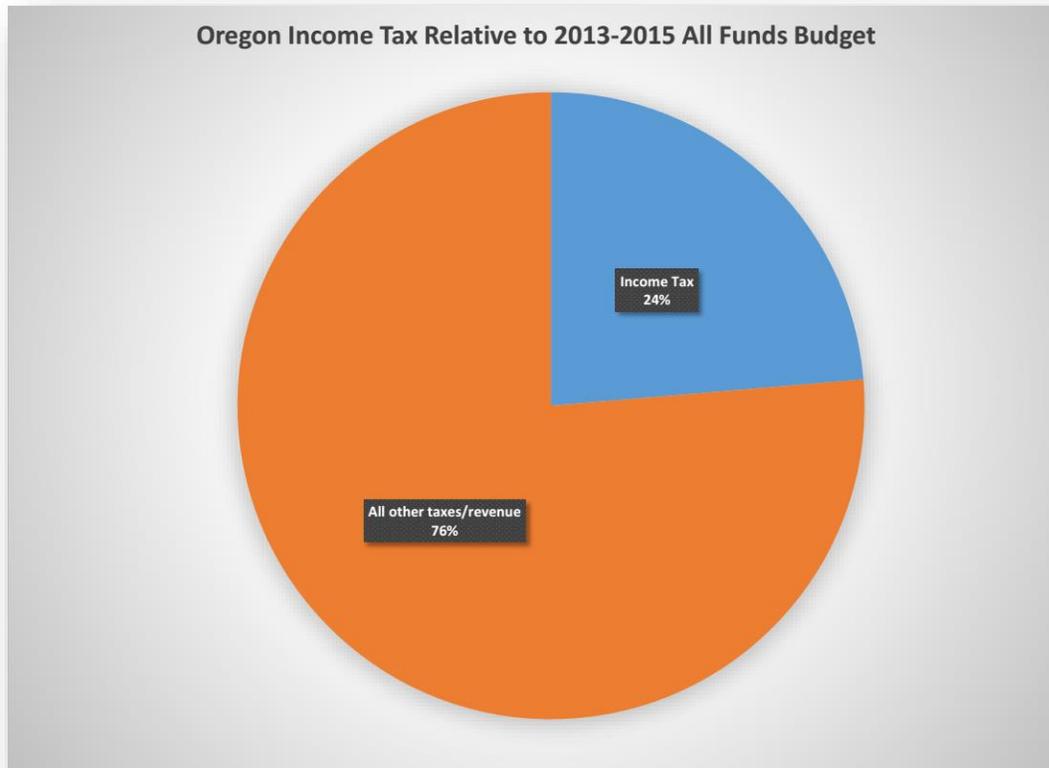
substantially,” further noting that 38% of business income taxes were from pass-through entities by 2007. In Oregon, that 38% of business income tax from pass-through entities would be reported under personal income tax – not under corporate income tax.

Even Just at the State Level - Income Taxes Are Only Part of the Tax Picture

Income taxes are only a portion of the taxes paid in Oregon. At the state level, income taxes make up about 94% of the General Fund revenues – and the General Fund is only about one fourth of [Oregon's All Funds budget](#) (first chart below from the Legislative Fiscal Office).



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Taxes Paid by Businesses in Oregon

Income taxes are but one of the many taxes and fees paid by businesses in Oregon. As the COST study noted, businesses pay *“business property taxes; sales and excise taxes paid by businesses on their input purchases; gross receipts taxes; corporate income and franchise taxes; business and corporate license taxes; unemployment insurance taxes; individual income taxes paid by owners of non-corporate (pass-through) businesses; and other state and local taxes that are the statutory liability of business taxpayers.”* **In Oregon, that adds up to businesses paying a third of all state taxes and half of local taxes** (mainly property taxes).

Only discussing one of many of Oregon's taxes and fees presents a very deceptive picture - a very similar approach to how Democrats very [deceptively framed Measure 67](#) as being about "corporations only paying \$10". The full truth was that Measure 67 brought in SIX new taxes and fees totaling \$262 million. One of the SIX new taxes and fees is costing businesses up to \$100,000 a year, even if they don't make a profit; even if they lose money. The taxes are so big & complex that the Department of Revenue had to add more than 7 new employees just to collect them.

Below are partial lists of some of the other taxes and fees paid by businesses in Oregon (does not include any of the federal taxes) that I [put together during Oregon's Measure 67 campaign](#) in 2009-2010:

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Additional State Taxes & Fees Paid By Oregon Businesses³³ (*partial list*)

Forest Products Harvest tax	Motor Fuels Taxes
long-term care provider tax	Weight-Mile Taxes
hospital provider tax	Privilege Taxes
Medicaid provider tax	Other Selective Taxes
Dry Cleaning Response Fees	Other Taxes
Electronic Waste Recycling	Business Lic and Fees
Hazardous Substance Fees	Corporation Fees
Hazardous Waste Generator Fees	State Court Fees
Hazardous Waste Land Disposal Fee	Commercial Fish Lic and Fees
Hazardous Waste TSD Fees	Public Utilities Fees
Heating Oil Contractor Licensing Fees	Power and Water Fees
Petroleum Product Withdrawal Delivery Fees	Fire Marshal Fees
Solid Waste Disposal Fee	Vehicle Licenses
Solid Waste Permit Fees	Drivers Licenses
Underground Storage Tank Permit Fee	Transportation Lic and Fees
UST Contractor Licensing Fees	TELEPHONE EXCHANGE ACCESS TAX
Uniform Commercial Code fee	Emergency Communications (9-1-1) Tax
Notary Public Commission fee	PHONE ACCESS SURCHARGE
BETC application fees	REAL ESTATE RECORDING TAX
energy siting fees	ELECTRIC COOP TAX
fees paid by operators of underground utilities	AVIATION GAS AND JET FUEL TAXES
state court fees	PETROLEUM LOADING FEE
Gross Receipts Business Taxes/Fees	TIMBER SEVERANCE TAXES
Employment Taxes	OIL & GAS SEVERANCE TAX
Workers Comp Insurance Taxes	PRIVATE RAIL CAR TAX
Other Employer-Employee Taxes	BOXING TAX
Amusement Device (video poker) Taxes	DRY CLEANERS TAX
Insurance Taxes	Air Contaminant Discharge Fees
Western Oregon Severance Taxes	Asbestos Certification Fees
Small Tract Forestland (STF) Severance Tax	Greenhouse Gas Reporting Fees
Other Severance Taxes	Waste Tire Fees
Forest Protection Taxes	

Local Government Taxes Paid By Oregon Businesses (*partial list*)

Property taxes
City of Portland Business License (privilege tax)
Multnomah County Business Income Tax (MCBIT)
TriMet tax
Lane Transit District Self-Employment Tax
Transit Payroll (excise) Tax

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Comparing Business Taxes across States

The [Council on State Taxation \(COST\) study](#) shows that in Oregon, businesses pay 39.5% of all state & local taxes.

The national average for all states is businesses pay 45.2% of all state & local taxes.

But comparing those numbers across states gets more complicated.

For example, Alaska and North Dakota are the top two states in the percentage of state & local taxes paid by businesses. In Alaska, businesses pay 89.7% of all state & local taxes. In North Dakota - businesses pay 74.1% of all state & local taxes.

Alaska

Corporate income tax only accounts for 8% of Alaska's Unrestricted General Fund (compared to Oregon's 7%) and yet businesses pay 89.7% of all of Alaska's state & local taxes (compared to 39.5% for Oregon.)

Alaska has no personal income tax and no sales tax. **92% of their state Unrestricted General Fund revenue is from Petroleum Revenue** (*Petroleum Property Tax, Petroleum Corporate Income Tax, Oil & Gas Production Tax, Oil & Gas Royalties*), and 55% of their total non-federal state budget is paid by Petroleum Revenue. Petroleum Revenue and Investment Revenue combined pay for 92% of Alaska's total non-federal state budget.

State of Alaska - Revenue Source	FY 2013 (\$ millions)	%
Unrestricted GF - Petroleum Revenue	\$6,352.0	92%
<i>Unrestricted GF - Petroleum Corporate Income Tax</i>	\$434.6	6%
Unrestricted GF - Non-petroleum Revenue	\$551.6	8%
<i>Unrestricted GF - Corporate Income Tax</i>	\$112.5	2%
Unrestricted GF - Investment Revenue	\$28.1	0%
Unrestricted GF - TOTAL NON-FEDERAL	\$6,931.7	100%
Designated GF Revenue - Non-petroleum Revenue	\$298.3	88%
Designated GF Revenue - Investment Revenue	\$40.5	12%
Designated GF Revenue - TOTAL NON-FEDERAL	\$338.8	100%
Other Restricted Revenue - Petroleum Revenue	\$1,032.5	17%
Other Restricted Revenue - Non-petroleum Revenue	\$185.2	3%
Other Restricted Revenue - Investment Revenue	\$4,937.3	80%
Other Restricted Revenue - TOTAL NON-FEDERAL	\$6,155.0	100%
Total Budget - Petroleum Revenue	\$7,384.5	55%
Total Budget - Non-petroleum Revenue	\$1,035.1	8%
Total Budget - Investment Revenue	\$5,005.9	37%
TOTAL ALASKA NON-FEDERAL BUDGET	\$13,425.5	100%

Source: Alaska Dept of Revenue - Tax Division - Revenue Sources Book - 2014 Spring
(Table 2-1: Total State Revenue, by restriction and type)
<http://www.tax.alaska.gov/programs/documentviewer/viewer.aspx?1048r>

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The State of Alaska benefits tremendously from allowing businesses to use their natural resources – similar to what Oregon’s O&C counties and the State of Oregon’s [Common School Fund](#) used to be able to do with timber.

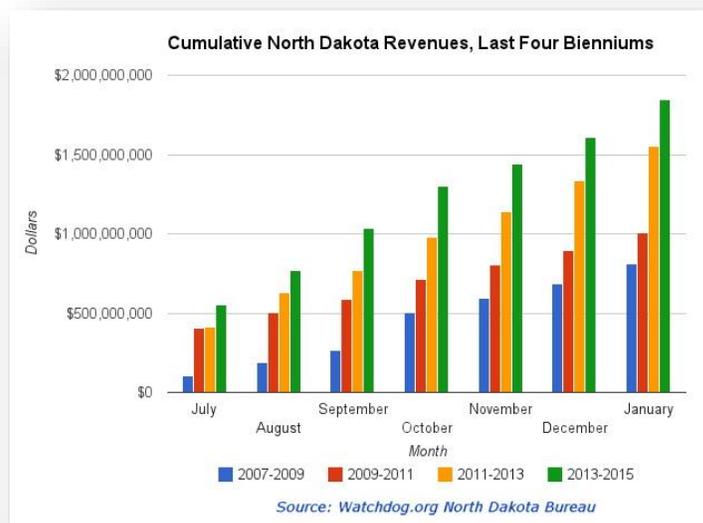
North Dakota

[North Dakota has](#) the 9th lowest individual income tax rate, a 5% sales tax, a corporate income tax rate that tops out at 4.53% and a property tax that averages \$1,074 per person.

By contrast, [Oregon has](#) the 3rd highest individual income tax rate, no sales tax, a corporate income tax rate that tops out at 7.6% and a property tax that averages \$1,312 per person.

Despite the much lower corporate income tax rate, businesses in North Dakota pay 74.1% of all state & local taxes compared to businesses in Oregon which pay 39.5% of all state & local taxes.

North Dakota tax revenues [continue to soar](#) - up 19% since the last biennium - despite four years of *cuts* to corporate and personal income taxes.



The tax revenue growth in North Dakota has been fueled by strong agriculture years and an ocean of oil in the western part of the state.

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Corporate income tax only accounts for 8.5% of North Dakota's **General Fund** revenues (compared to Oregon's 7%) and yet businesses pay 74.1% of all of North Dakota's state & local taxes (compared to 39.5% for Oregon) – mainly the result of North Dakota's oil & gas severance/extraction taxes - extraction taxes which [are estimated to be](#) \$11 million a day (\$4 billion per year). The State of North Dakota is also benefiting tremendously from allowing businesses to use their natural resources.

State of North Dakota STATEMENT OF GENERAL FUND REVENUES AND FORECASTS 2013-15 Biennium (April 2014) http://www.nd.gov/fiscal/docs/revENews/2014/201405news.pdf			
Revenues and Transfers	Biennium To Date	R or T	% of Revenue
	Actuals		
Sales Tax	\$1,011,713,280	R	45.6%
Motor Vehicle Excise Tax	\$112,681,197	R	5.1%
Individual Income Tax	\$478,586,143	R	21.6%
Corporate Income Tax	\$189,676,291	R	8.5%
Insurance Premium Tax	\$31,249,617	R	1.4%
Financial Institutions Tax	-\$4,887,518	R	-0.2%
Oil & Gas Production Tax	\$146,071,108	R	6.6%
Oil Extraction Tax	\$153,928,892	R	6.9%
Gaming Tax	\$2,938,367	R	0.1%
Lottery	\$0	R	0.0%
Cigarette & Tobacco Tax	\$24,566,511	R	1.1%
Wholesale Liquor Tax	\$7,579,208	R	0.3%
Coal Conversion Tax	\$13,559,296	R	0.6%
Mineral Leasing Fees	\$15,416,617	R	0.7%
Departmental Collections	\$34,694,068	R	1.6%
Interest Income	\$2,071,638	R	0.1%
State Mill & Elevator-Transfer	\$0	T	
Major Special Fund Transfers	\$341,790,000	T	
Other Transfers	\$1,067,934	T	
Total Revenues <i>(excludes Transfers)</i>	\$2,219,844,715		100.0%
TOTAL	\$2,562,702,649		