As Maryland Goes, So Should Oregon

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If we lived in Maryland we'd have the same state drink (milk) and state dance (square) as Oregon. But unfortunately the important similarities would end there. For example, if we lived in Maryland we would have important information from our state about which large companies are not paying state income taxes. Here in Oregon, policy makers are operating more in the dark.

In Maryland, the state revenue agency discloses a list of the state's 150 largest employers, broken out by industry categories and size. From this list you can see, for example, the names of the 25 largest corporations in Maryland and can learn that nine of them paid no corporate income taxes in 2002. You can't see which nine, but you get a better picture of the types of companies that escape tax liability.

Oregon's Governor, legislature and voters don't get that type of information from our Department of Revenue. The Oregon Department of Revenue has repeatedly rebuffed Oregon Center for Public Policy requests to have the Department produce a Maryland-style report. Each time they offer excuses. No excuse can diminish the value of the information to tax policy decision-makers. If Maryland can do it, there's no federal law standing in Oregon's way; Oregon just needs the will.

Because Oregon's legislature is considering proposals to change Oregon's $10 minimum corporate tax on those corporations with no tax liability, this is a crucial time for Oregon to follow Maryland's lead.

Many politically savvy Oregon corporations don't want to eliminate the $10 minimum tax; they want to increase it because they know the ten bucks that most corporations pay is a public relations liability. The fact that two-thirds (67%) of Oregon's corporations pay just ten bucks for the privilege of conducting business in Oregon does not sit well with Oregon voters.

The business leaders know that "2/3's Pay $10" could be a bumper sticker looking for a campaign to return corporations to a time when they picked up a fair share of Oregon's income taxes. Today they carry only about seven percent of the income tax load, compared to more than 18 percent a generation ago.

We should raise the corporate minimum tax to a more respectable level, but that won't fool voters into thinking corporate Oregon is pulling its share of the load for education, children's health care, highway troopers and other important public services. None of the proposals on the table in Salem this session would result in corporations paying the 18 percent that they used to.

The legislature's first attempt to increase the outdated $10 minimum tax was based on a proposal by the House Republican caucus. Even though it was incorporated into what Minority Leader Wayne Scott called an "historic agreement" with the Democrats, the Republican caucus went south on the plan when it became time to actually vote for the measure.

The meltdown over the minimum tax proves the adage that when it comes to changing tax policy, the losers are always a lot more vocal than the winners are grateful. Large companies like Nike and Intel who hoped that the increase in the corporate minimum tax would ultimately benefit them by averting comprehensive corporate tax reform were drowned out by business interests who didn't like the Republican-designed minimum tax increase.

Unfortunately, the debates about the minimum tax have not included a meaningful discussion about why and how our broken tax system enables profitable Oregon companies to get away with paying so little in income taxes. That's the question none of the business groups want the legislature to explore.

The legislature should raise the corporate minimum tax. Whether or not they do, though, the public still needs more information about who pays the corporate minimum tax. It will help us design a better minimum tax and help us better understand why our corporate income tax system has collapsed and how to restore it to health. If Maryland can provide this useful information, so can Oregon.

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