

Gov. Kate Brown Quietly Balances Budget With Increase To "Minimum" Business Tax

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Some of the largest companies operating in Oregon could see a tax increase under a proposal being quietly put forward by Gov. Kate Brown.

Included in the two-year balanced budget Brown unveiled last week is a set of changes to the state's corporate minimum tax, which sets a floor on taxes paid by companies with sales in Oregon.

Under the tax's current structure, businesses pay a minimum of between \$150 and \$100,000, depending on their Oregon sales. (If they owe more under Oregon's separate corporate income tax structure, they pay that higher amount instead.)

Brown's proposal adds five new steps to the minimum tax, raising taxes for companies with more than \$200 million in Oregon sales. For instance, companies with between \$400 million and \$600 million in sales would pay \$400,000 under the minimum tax, instead of \$100,000 they'd pay under the current structure. At the upper-most tier, companies with sales of \$1 billion or more would be required to pay \$1 million instead of \$100,000.

The idea would need buy in from the Legislature to move forward, but it's another glimpse at strategies Brown — newly reelected and enjoying Democratic supermajorities in both legislative chambers — is embracing as she pushes for billions in new money for schools and health care in coming years.

And, like a proposed increase in taxes on liquor, it's an idea Brown didn't highlight when she presented her budget last week. The change is noted only in passing in her nearly 500-page budget document.

Still, Brown's not the only one pushing a change in what businesses pay.

"Raising the corporate minimum is on everyone's radar screen," said state Sen. Mark Hass, D-Beaverton, who chairs the Senate Finance and Revenue Committee. "There's three or four different ways to look at reforming the way businesses are taxed here, and at the same time lowering some of the load of the personal income tax."

Hass also serves on the Joint Committee for Student Success, a bipartisan group of lawmakers who've been visiting school districts around the state, and will float ideas to sharply increase education funding next year. Hass says the committee will consider changes to the minimum tax as part of that process. He hadn't seen Brown's proposal when reached last week.

Minimum taxes are used a lot in Oregon — nearly 70 percent of Oregon C corporations paid the minimum tax in 2015 — but according to Brown's budget, the proposed change would result in a relatively modest \$31.3 million increase next biennium. That's about 3 percent of corporate taxes.

Ideas for altering the minimum tax structure are nothing new. Two years ago, Ballot Measure 97 would have changed the tax to raise \$3 billion in new revenue a year — a far cry from what Brown has suggested.

Measure 97 failed, but the underlying notion remains popular among progressive groups. Juan Carlos Ordonez, a spokesman for the Oregon Center for Public Policy, said changes to the corporate tax structure “need to be at the center of the conversation in terms of revenue reform.”

It’s “great to see the governor propose raising the corporate minimum,” Ordonez said. “But we need a much bigger increase in order to reinvigorate the corporate income tax.”

Under the \$23.6 billion spending plan the governor released last week, corporate taxes account for 4 percent of revenues. Personal income taxes make up 80 percent.

The state’s business interests have signaled they’re willing to play along with some changes as lawmakers consider modifying Oregon’s unstable tax structure to rely less on income taxes. In a day-long conference held Monday, business groups floated a new “business activities tax” that would fundamentally alter how Oregon companies are taxed.

But the groups also suggested such a change should be revenue neutral, with a corresponding decrease to other business and personal income taxes. That’s not likely to be a popular notion with Democrats vowing to improve education funding in the legislative session that begins Jan. 22.

Asked about Brown’s minimum tax proposal, Oregon Business and Industry, the state’s largest business association, emailed a statement from President and CEO Sandra McDonough.

“There will be many revenue reform proposals on the table during the upcoming legislative session,” McDonough said, “and they all should be considered in totality rather than individually.”