MEASURE 118
TAX FAIRNESS OREGON TALKING POINTS

The measure is poorly written and fails to consider the impact of existing corporate kicker and highway fund Oregon Constitutional provisions, the timing of money received and expended, and other unintended consequences. Fortunately, the measure is statutory, not constitutional, as it is a hot mess that would need legislative attention.

- Measure 118 is not clear as to whether the rebates are the gross corporate taxes raised by the new tax or the net addition to the General Fund after reduction for current corporate tax receipts and mandated allocations to the Highway Fund. If those points aren't clarified by legislative action the measure would require spending cuts to current budget priorities of at least $400 million per year.
- For the poorest Oregonians, the rebates would be considered income for both federal taxes and eligibility for social benefits as the federal government is unlikely to grant a waiver. Per Measure 118, some of the new tax revenue would compensate individuals for lost benefits, reducing overall rebates. But figuring out how to do that would be really complicated.

The measure is inflationary.

- It would increase prices, especially utilities, food, gas and medicine when corporations pass on the cost of the tax or reduce operations in the State. LRO estimates the overall inflation would be 1.3%, although some products and services would increase by more than 3% because of pyramiding.
- Not clear who wins and who loses depending upon how consumers and businesses respond.

$7 billion per year investment into one method of addressing social issues comes from out-of-state funders who want to try this social experiment in Oregon.

- Current General fund is $16 billion per year – this is a massive increase.
- Poorly targeted – not enough for truly low-income families, unnecessary for top income earners, while also deeply Inadequate as an experiment in a guaranteed minimum income. $3.00-$4.00 dollars a day per person isn't much of a guaranteed minimum income.
- This large program would crowd out future funding for schools, universities, public defenders, transportation, mental health, wildfire protection, public safety, and other pressing needs.
- Oregon must put more effort into making existing programs work, before we take on another expensive social experiment that no other state has tried.

Massive increase in taxes - $7 billion per year - from 2,200 of Oregon's C and S corporate businesses.

- Uses mechanism that distributes burden very unevenly between individual businesses and industries, distorting market prices and decisions.
- Is confiscatory for industries with low profit margins like distribution and groceries. Some low-margin businesses that cannot pass on the cost to customers because their prices are regulated by external markets or the federal government may close (e.g. Medicaid clinics, pharmacies and farms).
- Heavily impacts businesses and industries that are not vertically integrated.
- Oregon already has second highest tax on gross receipts, and this measure increases it 700%. No other state gross receipts tax this high. This tax may discourage business investment in Oregon.

MEASURE 118 DESCRIPTION

Increases Oregon's corporate minimum tax raising state revenue by up to 50%. Dedicates ALL proceeds (after funding Federal benefits lost due to low-income family's increased income) to per person rebates estimated to be $750 a year by the proponents and more than that by the Legislative Revenue Office.

Corporate minimum tax
Increases annual corporate minimum tax by 3% of sales exceeding $25 million. For S corporations with sales exceeding $25 million, also increases base minimum tax.

Rebates
Dedicates increase in minimum tax revenue to per person rebates to any individual residing in Oregon more than 200 days in the year, including persons who were born or died during the year. Legislative Revenue Office estimates rebate paid will be $1,160 per person in 2026, $1605 in 2027 and $1,686 in 2028, well above the $750 estimated by the proponents.

Skips rebates in a year if they would be under $25. Allows those funds, and any refused rebates, to be spent on selected public services. Allows taxpayers to opt out of receiving the benefit.

Defines process for determining rebate eligibility and calculating rebates. Exempts rebates from state income tax. Requires DHS to seek waivers exempting rebate from income used to determine eligibility for federally-funded need-based programs. Uses rebate funds to compensate persons for need-based assistance lost due the rebate. Allows rebate funds to be used to administer the program.

Background

The existing minimum corporate tax is an amount imposed on corporations subject to the Oregon income tax. For regular corporations, the tax goes up in tiers based on sales: starting at $150 (annual sales less than $500,000), $500 ($500,000-$1 million in sales), and up to $100,000 tax ($100+ million in sales). For S Corporations, the existing tax is $150 regardless of sales.

Corporations pay the regular income tax (6.6% to 7.6% of net income) or the minimum tax, whichever is higher. This means that increasing minimum tax revenue would reduce the revenue from the regular income tax, perhaps dramatically.

Corporations with over $1 million in Oregon sales also pay the corporate activity tax (CAT), which is $250 plus 0.57% of sales, minus 35% of the cost of goods or labor, for an average cost of less than ½% of sales exceeding $1 million in Oregon. The Measure 118 tax will be in addition to the CAT.

The text of the initiative can be found at https://sos.oregon.gov/admin/Documents/irr/2024/017text.pdf

The Legislative Revenue Office analysis can be found at: https://www.oregonlegislature.gov/lro/Documents/IP%2017%20Report.pdf

The State's most recent fiscal analysis can be found at: https://sos.oregon.gov/elections/Documents/fec/IP17-Updated-Analysis-7-25%20meeting.pdf