Oregon has nation's lowest total effective business tax rate

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Oregon has the lowest "total effective business tax rate" in the country, according to a study (PDF), conducted by the accounting firm Ernst & Young on behalf of the Council On State Taxation (COST). The accounting firm found that the total state and local taxes paid by Oregon businesses amounted to 3.3 percent of Oregon's private sector economy in fiscal year 2013, the smallest such contribution among all states.

The study purports to include all taxes businesses pay: corporate income and excise taxes; property, sales and use, and license taxes paid by businesses; personal income taxes on business income passed through to the personal income tax (such as those taxes paid by owners of S-corporations, partnerships, sole proprietorships and limited liability companies); unemployment insurance taxes; and other business taxes.

It is important to remember that this is a study conducted to advance the interests of an association of multistate and multinational corporations that lobbies for lower business taxes in states across the country. COST represents about 600 corporations, including major Oregon employers such as Nike, Intel, Hewlett-Packard, US Bank and Xerox (PDF).

The study's authors are not transparent about their methodology. The numbers come from the authors' black box, so there is no way to evaluate the reliability of the numbers, particularly with regard to property taxes and the myriad of tax subsidies that businesses receive, such as property tax abatements.

Moreover, the COST study ignores the incidence of the business taxes it is measuring. For example, many economists would conclude that some, if not all, of the sales taxes paid on business inputs are passed on to consumers and and that at least some of the incidence of unemployment compensation taxes is on workers in the form of lower wages.

To its credit, the COST study concedes that comparing total taxes to a broad measure of the economy such as private sector gross state product is "not a clear indicator of the competitiveness of a state's business tax system in terms of attracting new investment."

Previously, using a different metric for comparing states, COST pegged Oregon as having the second lowest taxes on new investments by business.

Oregon's lowest-taxes-in-the-nation rank takes into account the modest personal and corporate income tax increases put into effect by Measures 66 and 67 approved by voters in 2010. Add the fact that Oregon's economy has performed exceedingly well, and you realize that Oregon need not give corporations or their owners and executives more tax subsidies.

Isn't it time to ask profitable corporations to contribute meaningfully to support the public structures that make Oregon a great place to live, raise a family, work and build businesses?