

October 2015 #15-25

Summary:

A union-backed initiative on Oregon's 2016 General Election ballot may impose the largest tax increase in state history without making clear who actually will bear the burden.

Word Count 401

“Thinking that corporations will take such huge financial hits without passing most or all of them on to workers and consumers is a little like believing that shooting a loose cannon on a dark night will somehow hit the target.”

4850 SW Scholls Ferry Road
Suite 103
Portland, Oregon 97225

t: 503.242.0900
f: 503.242.3822
info@cascadepolicy.org
www.cascadepolicy.org

Assaulting “Corporate Profits” Will Hit Average Oregonians

By Steve Buckstein

A [union-backed group](#) is planning to put an initiative on Oregon's 2016 General Election ballot that would result in the largest tax increase in Oregon history. Designed to tax sales of large corporations doing business in Oregon, [Initiative Petition 28](#) may raise more than \$5 billion every biennium, increasing Oregon's General Fund budget by twenty-six percent.

Voters should realize that this proposal is not simply a way to capture revenue from big business. Actually, it's a way to hide the fact that most of this new state revenue will come out of the pockets of average Oregon consumers and workers. That's because neither large nor small corporations have a magic pot of money from which they can painlessly bestow more to government. All corporate money ultimately belongs to some individuals, and it is generated by selling goods and services to other individuals.

The tax measure in question basically will impose a 2.5 percent [gross receipts tax](#) on most corporate sales above \$25 million in the state, on top of other business taxes. While that can be seen as just two-and-one-half cents on every dollar of sales, what percentage of corporate profits does 2.5 percent represent?

A 2013 [national poll](#) found that Americans believe the average company makes a 36% profit on sales after taxes. The actual [median and mean profit margins](#) of 212 industries nationwide are 6.5% and 7.5% respectively.

So, imposing a 2.5 percent tax on gross sales actually represents at least one-third of the average company's profit margin. It's closer to 80 percent of the profit margin of that big company some Portlanders love to hate—Walmart—which only earns about 3.1% on every dollar of sales.

Thinking that corporations will take such huge financial hits without passing most or all of them on to workers and consumers is a little like believing that [shooting a loose cannon on a dark night](#) will somehow hit the target.

Proponents of this huge tax increase know full-well that they won't be blamed when consumer costs rise and workers see pay and/or benefits restricted. The tax will be hidden from them. They'll blame those evil businesses that they think are gouging them, without looking into the real culprits.



If the proponents were honest, they'd propose taxing consumers or workers directly to raise the extra money they want to fill government coffers. But that wouldn't poll well, so it's not likely to happen.

Steve Buckstein is Founder and Senior Policy Analyst at Cascade Policy Institute, Oregon's free market public policy research organization.

“Proponents of this huge tax increase know full-well that they won't be blamed when consumer costs rise and workers see pay and/or benefits restricted. The tax will be hidden from them.”

Attention editors
and producers:

Cascade Commentaries are provided for reprint in newspapers and other publications, with credit given to author(s) and Cascade. Contact Cascade to arrange print or broadcast interviews on this commentary topic.

Please contact:

Cascade Policy Institute
4850 SW Scholls Ferry Rd.
Suite 103
Portland, Oregon 97225

Phone: (503) 242-0900

Fax: (503) 242-3822

Cascade Policy Institute is a tax-exempt educational organization as defined under IRS code 501 (c)(3). Nothing appearing in this Cascade Commentary is to be construed as necessarily representing the views of Cascade or its donors. The views expressed herein are the author's own.

www.cascadepolicy.org
info@cascadepolicy.org