



KEYPOINTS

While Oregon's corporate income tax has increased, the state's overall cost of doing business remains one of the lowest in the nation.

Oregon's cost of doing business is significantly less than neighboring California and Washington (see reverse).

Oregon has no sales tax and does not tax capital purchases like its West Coast neighbors.

Oregon's energy costs are among the lowest in the nation.

Oregon, like other states, has incentive programs for reducing property tax liability. Oregon also has industry-leading energy tax credits available to qualifying businesses.

Changes to the Oregon Corporate Tax

In late 2009, voters passed Measures 66 and 67, increasing the corporate minimum tax, and establishing a higher rate on taxable income over \$250,000.

What Were the Changes?

There were essentially three changes:

- 1 Measure 66 temporarily increased the tax rate on higher personal taxable income (over \$125,000 for single, \$250,000 joint) from 9% to 10.8 - 11%. The **top rate permanently goes down to 9.9%** after 2012. Measure 66 also gradually reduces the deduction taxpayers in this income bracket can take on state returns for federal taxes.
- 2 Measure 67 raised the corporate minimum tax, from \$10 to \$150, and established a graduated scale with higher minimums for higher levels of Oregon sales revenue.
- 3 Measure 67 increased the corporate income tax rate on taxable income over \$250,000 from 6.6% to 7.6 - 7.9%.
 - This increase will affect the tax bills of **5% of Oregon's C-Corporations** in 2009.
 - And beginning in 2013, the higher rate is applied **only to corporate taxable income over \$10 million**, reducing the impact to **0.5% of Oregon's C-Corporations**.

How Will it Impact Oregon Businesses?

- For 60% of Oregon's C-Corporations, taxes will increase by less than \$1,000 on average in 2009.
- The new corporate minimum tax will largely impact Oregon's small firms, while the new corporate income tax will tend to impact Oregon's largest firms.

How Does this Affect Oregon's Competitive Business Climate?

Before Measure 67, Oregon already had some of the lowest business taxes in the nation, **tied for second-lowest** as ranked by the annual C.O.S.T. study performed by Ernst and Young Accounting.

The independent Oregon Legislative Revenue Office, retroactively applying the new tax structure to the Ernst and Young data, found Oregon would have ranked as the **fifth-lowest** effective business tax rate in the nation in the same study.

Business Oregon
775 Summer St. NE
Salem, OR 97305

503-986-0123

www.oregon4biz.com

How Does Measure 67 Affect Oregon's Business Climate Compared to Other States?

The department recently completed an analysis of the impact of Measure 67. The charts below compare the cost of doing business in Oregon with the same costs in its west coast neighbor states. The comparison considers the impact to a small manufacturing business with fewer than 20 employees, and a large manufacturing business with more than 200 employees.

Before Measure 67, the 20-employee company would have paid \$825 in Oregon corporate income tax. With Measure 67, the firm would pay \$2,000, an increase of \$1,175. Before Measure 67, the 200-employee company would have paid \$52,800 in Oregon corporate income tax. With Measure 67 in place, the firm would pay \$59,950, an increase of \$7,150.

This is a good, but not perfect, projection of expenses for the sample businesses. This analysis does not take into account any credits, exemptions, or incentives a firm may receive from state or local governments.

20 Employee Firm	Annual Cost of Running a Small Business After Measure 67	Oregon	California	Washington
	Energy Costs	\$149,760	\$194,820	\$140,016
	Employee Gross Payroll	\$903,900	\$879,680	\$1,007,720
	Social Insurance	\$27,669	\$29,142	\$33,399
	Corporate Income / Other Taxes*	\$2,000	\$1,658	\$36,300
	Yearly Property Tax	\$125,600	\$85,600	\$72,000
	Yearly Tax on Current Purchases	\$0	\$33,975	\$32,438
	Taxes on Capital Purchases	\$0	\$543,600	\$1,305
	Total Operating Costs and Initial Capital Taxes	\$1,208,929	\$1,768,474	\$1,323,177
Difference from Oregon			+ \$559,545	+ \$114,248

Example Small Business Profile:

- Oregon manufacturing firm with 20 employees looking to relocate
- \$2 million in real property
- \$6 million in equipment
- Sells 50% of its products in-state, and 50% out-of-state
- \$7.5 million in annual sales resulting in \$25,000 in taxable income
- Consumes 120,000 kWh of electricity per month, and 7,800 kcf of natural gas per year

200 Employee Firm	Annual Cost of Running a Large Business After Measure 67	Oregon	California	Washington
	Energy Costs	\$1,497,600	\$1,948,200	\$1,400,160
	Employee Gross Payroll	\$9,039,000	\$8,796,800	\$10,077,200
	Social Insurance	\$276,694	\$291,417	\$333,986
	Corporate Income/ Other Taxes*	\$59,950	\$212,160	\$363,000
	Yearly Property Tax	\$1,256,000	\$856,000	\$720,000
	Yearly Tax on Current Purchases	\$0	\$339,750	\$324,375
	Taxes on Capital Purchases	\$0	\$5,436,000	\$13,050
	Total Operating Costs and Initial Capital Taxes	\$12,129,244	\$17,880,327	\$13,231,771
Difference from Oregon			+ \$5,751,083	+ \$1,102,527

Example Large Business Profile:

- Oregon manufacturing firm with 200 employees looking to relocate
- \$20 million in real property
- \$60 million in equipment
- Sells most of its products out-of-state
- \$75 million in annual sales resulting in \$4 million in taxable income
- Consumes 1,200,000 kWh of electricity per month, and 78,000 kcf of natural gas per year

* "Other Taxes" includes any relevant business taxes that states would apply to the business used in the example

This analysis is for illustrative purposes, actual results may vary. This analysis is not tax advice. Contact a tax professional with any tax related questions you may have.