Ballot Measure 118: Oregon Rebate

OFFICIAL TITLE: Increases highest corporate minimum taxes; distributes revenue to eligible individuals; state replaces reduced federal benefits

INITIATIVE: This measure is a statutory amendment placed on the ballot with an estimated 122,276 valid signatures. Antonio Gisbert is the chief petitioner.

FINANCIAL IMPACT: The measure creates the Oregon Rebate program, which will be partially funded with a new corporate minimum tax equal to 3 percent of corporate sales above $25 million. The rebate program will distribute the net revenues from the new tax to Oregon residents in equal amounts annually. Individuals who lose federal benefits because of the rebate will be held harmless with additional payments, which will come from the rebate revenue. According to the Legislative Revenue Office, following the initial phase-in, total biennial costs of the rebate program are expected to exceed new biennial income.

PROBABLE RESULTS OF "YES" VOTE: A “yes” vote increases corporate minimum tax on Oregon sales exceeding $25,000,000; eliminates tax cap; distributes revenue to eligible individuals; state replaces any reduced federal benefits.

PROBABLE RESULTS OF “NO” VOTE: A “no” vote retains existing corporate minimum taxes on Oregon sales; twelve tax brackets impose different tax amounts, capped at $100,000 tax on sales exceeding $100,000,000.

BACKGROUND: Based on the use of federal supplemental income programs, Oregon has a relatively large population of low-income residents. For example, SNAP benefits, formerly known as food stamps, were used by 17% of Oregon’s population in 2023, compared to 11% in Washington and 12% in California. Similarly, the participation in Head Start programs was highest in Oregon: 0.31% of the population compared to 0.14% in Washington and 0.22% in California. One suggestion for helping to raise people out of poverty is the universal basic income program, which is designed to alleviate poverty and potentially replace other need-based social programs. The challenge is funding the program.

This ballot measure is designed to provide a universal basic income for Oregonians starting in 2026 through a new corporate income tax. The tax revenue would be redistributed to eligible citizens, which are those who have resided in Oregon at least 200 days in the previous calendar year, with exceptions for births or deaths. If the increase in income affects benefits in programs with income level cutoffs, the measure is designed to compensate for the loss of the benefits.

PROPOSAL:
The measure proposes, in addition to current corporate taxes, a new corporate minimum tax of 3% on C and S corporations with corporate sales above $25 million and the distribution of that new revenue to eligible citizens. Individuals with eligible dependents or wards receive the rebates for those dependents and wards. If rebates are not claimed, they will carry over to the following year, and if rebates are declined, the money will be allocated to services for senior citizens, health care, public early childhood education, and public kindergarten through grade 12.

The rebates paid under this measure are not subject to state tax and do not affect eligibility for state benefit programs. The measure directs the Department of Human Services to seek waivers if eligibility for federal services is affected by the rebate or to reimburse federal benefit participants for the reduction in their benefits. The reimbursements are only to be funded by revenues from this measure. It applies to 2025 and later tax years and authorizes rebates to be paid beginning in 2026.

The analysis by the Legislative Revenue Office analysis of the measure concluded that

- The average rebate paid in 2026 (2025 tax year returns) is expected to be about $1,160 per person, compared with projected rebates of $1,605 and $1,686 paid in 2027 and 2028, respectively.
- The overall average tax reduction per return is $2,100.
- The rebate program would significantly reduce or eliminate personal income tax liability for filers with less than $40,000 of income."

The analysis by the Legislative Revenue Office indicates that following the initial phase-in, total biennial costs of the rebate program are expected to exceed the new biennial revenue

- Because the measure requires that the increased revenue is first used to pay administrative costs and fund the "hold harmless" provisions, with the remainder distributed to residents, any additional costs must come from the General Fund. This measure is predicted to decrease tax payments by roughly $17M per year.
- Estimated indirect impacts on personal income tax revenue are reductions of $12 million in 2023-25, $199 million in 2025-27, and $207 million in 2027-29. S-corporations, which are included in this measure, do not pay tax as an entity but rather pass the taxable income to their shareholders. Their incomes would be reduced by the additional tax. Simulations also suggest that wages will be slightly depressed.
- Lastly, changes to the economy are projected to reduce state revenue by roughly $11 million in 2023-25, $150 million in 2025-27 and $400 million in 2027-29. The LRO estimates a 1.3% increase in prices of goods and services and reductions in jobs, wages and personal incomes, assuming that corporations will pass the extra cost to consumers. This would be inflationary.

SUPPORTERS SAY:

- Families who are struggling will receive a lifeline from the funds from this rebate. Projections show that each Oregonian would receive about $1600 per year.
- Studies show that recipients of funds from programs like these increase their expenditures on essentials like food, housing, and transportation and are more likely to visit a doctor or a dentist. They worked on average 1.3 hours less per week but remained engaged in the workforce.
- This tax, which is only on large corporations with sales of $25M or more, will make corporations pay their fair share. Currently, many large corporations have tax rates of less than 1%.

OPPONENTS SAY:

- The proposed tax is on sales, not profits, which makes it difficult for low-margin businesses like grocery stores to remain profitable, inevitably forcing price increases, which will be passed on to the consumer and could result in businesses leaving the state.
- Oregon is currently ranked 28th in terms of corporate taxes. If this tax passes, Oregon may be on the list of the "10 Worst Business Tax Climates," discouraging companies from moving to Oregon and encouraging current employers to leave.
- Government officials say the bill would be a tremendous strain on our state, including a potential impact of more than $2.8 billion on state resources and deep cuts to important front-line services, like health care and public safety. Non-partisan research also indicates that Measure 118 would increase prices for consumer goods and slow Oregon's job growth.