

**BALLOT  
REVIEW**

# Oregon's Measure 118: Corporate tax increase for universal basic income

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**MOUNTAIN STATES**  
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# Oregon Measure 118: Corporate tax increase for universal basic income

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This November, Oregon voters are being asked to become the first state to adopt a universal basic income (UBI) of an estimated \$1,600 per year paid for with a large corporate tax increase. For any business with revenue above \$25 million, the excess of this amount will be taxed at 3%, removing the cap to the corporate minimum tax. The new revenue will be distributed equally to all residents, as the first state attempt at UBI. The Oregon Legislative Revenue Office estimates the tax would generate \$7 billion a year, resulting in the annual rebate.

Voters should take notice of the bipartisan opposition to Measure 118. Democratic and Republican leaders across the state jointly argue the measure harms small businesses and damages the economic well-being of Oregon families, and also removes large portions of funding from the state's general fund, cutting resources for schools, health, and other public assistance programs.

Under the proposal, regardless of income, wealth, or age, every resident will receive approximately \$1,600 annually from the state of Oregon. This will be paid for by increasing the corporate minimum tax based on Oregon sales. All corporations are obligated to pay a corporate minimum tax, Measure 118 will increase this rate for businesses over \$25 million in sales, regardless of net profits. The new corporate minimum tax for businesses with sales over \$25 million in sales will include the current minimum plus 3% of sales above \$25 million.

This tax rate will compound at every level of business involved in the transaction with sales over \$25 million. As a good moves through the supply chain, each business that is taxed at the 3% rate with sales above \$25 million will pass this cost on to the purchaser. From production, distribution, to retail these cost increases will create a pyramiding tax effect that is eventually passed on to the consumer. In a state that has repeatedly refused a sales tax, it is surprising to see a sales tax in disguise under consideration.

## Details on Measure 118

The official ballot title reads:

“Increases highest corporate minimum taxes; distributes revenue to eligible individuals; state replaces reduced federal benefits.”

The ballot summary reads as:

“Current law requires corporations to pay higher of either tax on taxable income or corporate minimum tax. Except S corporations, minimum tax amount determined by tax bracket based on corporation’s Oregon sales; minimum tax capped at \$100,000 for \$100,000,000 or more in sales. Beginning 2025, measure removes minimum tax cap; increases minimum tax on all corporations with Oregon sales exceeding \$25,000,000 by imposing additional tax of 3% for sales above \$25,000,000. Measure directs Department of Revenue to equally distribute increased revenue (minus certain costs) to all individuals residing more than 200 days annually in Oregon. Revenue distribution does not affect individual eligibility for state benefits; measure requires replacement of reduced federal benefits if distribution negatively affects individual’s benefits under any need-based program. Other provisions.”<sup>3</sup>

## Pro and Con Statements

Supporters of the measure say:<sup>4</sup>

“The Oregon Rebate is designed to help everyday Oregonians who are struggling to make ends meet. We recognize that when individuals and families thrive – not just CEOs and shareholders – our entire state prospers. At a time of record corporate profit, everyone can reap the benefits. By putting money directly into people’s pockets, we can strengthen and support the people, families, neighborhoods, communities, and small businesses that make our economy strong,” said Chief Petitioner Antonio Gisbert.<sup>5</sup>

Those opposed to the measure have said the following:

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<sup>3</sup> Office of the Secretary of State, State of Oregon, available at <https://sos.oregon.gov/admin/Documents/irr/2024/017dbt.pdf>

<sup>4</sup> “First-Of-Its-Kind Oregon Rebate Officially Qualifies For the November Ballot as Measure 118,” Yes on Measure 118, 15 August 2024, available at <https://www.yesonmeasure118.com/news/first-of-its-kind-oregon-rebate-officially-qualifies-for-the-november-ballot-as-measure-118>

<sup>5</sup> Fuentes, Carlos, “Oregon voters to decide on ballot measure to give every resident \$1,600 that has sparked massive opposition fundraising,” OregonLive The Oregonian, 21 September 2024, available at <https://www.oregonlive.com/politics/2024/09/oregon-voters-to-decide-on-ballot-measure-to-give-every-resident-1600-that-has-sparked-massive-opposition-fundraising.html>

“In these tough times, we all want working families to get every break they can, but Measure 118 is not the answer. We have grave concerns it will slow job growth and cause cuts to critical services like road maintenance, fire fighting, and addiction recovery,” said House Speaker Julie Fahey, House Majority Leader Ben Bowman, Senate President Rob Wagner and Senate Majority Leader Kathleen Taylor.<sup>6</sup>

### Key points to consider

#### *Universal Basic Income will not improve productivity*

Alaska’s Permanent Fund Dividend (PFD) is the only example of a state to practice a regular payout from state funds to citizens. The only qualification is one full year of residency. This program is funded out of a historic abundance of oil money and was established in 1976. However, with tightening fossil fuel production that fund is in danger and the state is looking for other sources. The only reason the PFD exists is because of oil supply, and the state is struggling to continue the program and considering taxing higher earners by reinstating an income tax.<sup>7</sup>

Both sides of the political aisle see and claim benefits of PFD, pointing to a reduction in poverty because of the program. The payouts can be used for college savings, retirement, charity, basic expenses, and even wasted on splurges. The money belongs to the residents with no strings attached. With Oregon’s proposed rebate being of a similar estimated amount the appeal of a UBI is understandable. But Alaska’s funding source of fossil fuels is not taxing the residents. Oregon will be taxing consumers through a disguised sales tax, to pay them a rebate that won’t even cover the cost increase.

New research from OpenAI’s Sam Altman-backed UBI experiment found that no-strings-attached cash isn’t as prosperous economically as first believed. Low-income (\$29,000) recipients were given \$1,000 per month or \$50 per month. Those receiving more cash worked 1.3-1.4 hours less each week, using those hours for leisure. The assumption that the flexibility of income would create better quality of employment was not supported by the research. The cash outflows also resulted in greater levels of debt and higher expenditures of \$300 per month.<sup>8</sup>

*New research from OpenAI’s Sam Altman-backed UBI experiment found that no-strings-attached cash isn’t as prosperous economically as first believed.*

<sup>6</sup> Fuentes, Carlos, “Ballot measure to tax corporations and pay Oregonians \$1,600 a year draws bipartisan opposition,” OregonLive The Oregonian, 13 August 2024, available at <https://www.oregonlive.com/politics/2024/08/ballot-measure-to-tax-corporations-and-pay-oregonians-1600-a-year-draws-bipartisan-opposition.html>

<sup>7</sup> Rosen, Yereth, “For 40 Years, Alaska Has Modeled a Universal Income. Now That’s in Peril,” In These Times, 5 November 2018, available at <https://inthesetimes.com/article/alaska-universal-basic-income-dividend-taxes-permanent-fund>

<sup>8</sup> Cash increases possibility, OpenResearch Unconditional Cash Study, <https://www.openresearchlab.org/studies/unconditional-cash-study/study>

**KEY INFORMATION  
COLUMN**

*When a large corporation is forced to pay an increase in their minimum corporate tax, it is to be expected this cost of doing business is passed on to the consumers.*

The ‘anything helps’ concept argues that cash allows for more downtime and improved mental well-being, despite decreases in household income of 5% excluding transfer payments.<sup>9</sup> The evidence does offer some favorability due to 35% increase in average savings, better self-reported financial well-being, a higher likelihood of recipients financially supporting others, and a reported 20% decrease in drinking. However, funding a rebate program by making residents pay a disguised sales tax on many Oregon goods is an unsound policy.

*Corporate Minimum Tax Increases will be a disguised Sales Tax*

In a state consistently rejecting sales tax proposals since 1933 to as recently as 1993, it is surprising a disguised sales tax is even considered for the ballot.<sup>10</sup> Arguing that the new rebate is “paid for by making giant corporations pay their fair share,” is just ignoring the reality that Oregon consumers and Oregon businesses will pay in the end.<sup>11</sup>

When a large corporation is forced to pay an increase in their minimum corporate tax, it is to be expected this cost of doing business is passed on to the consumers. Oregon businesses and residents will be forced to buy goods that have these taxes built repeatedly into their prices. Imagine a large factory with sales at \$25 million paying the tax increase, every proceeding level from distributor to retailer will also likely have sales (not profits) above this threshold and also have to pay this tax on sales (not profits).

Foreign business entities will be able to buy goods and services outside of Oregon, avoiding the hidden sales tax, and putting them at an advantage. Oregon residents and Oregon businesses will be trapped into paying the tax, competing with businesses that can avoid the tax, and experiencing costs that the individual resident rebates will not make up. Oregon small business owners will experience decreased sales, as consumers avoid the higher priced goods with the built-in, unavoidable, hidden tax.

Additionally, it will be the lowest-income households most damaged by this scheme. Higher-income households are more likely to invest or save their rebates, but low-income households will already be using the rebate to pay for basic expenses like food, housing, and consumable goods. Their rebates will quickly disappear with a compounding, hidden tax of 3 to 12% eating away at their budget on many budget items.

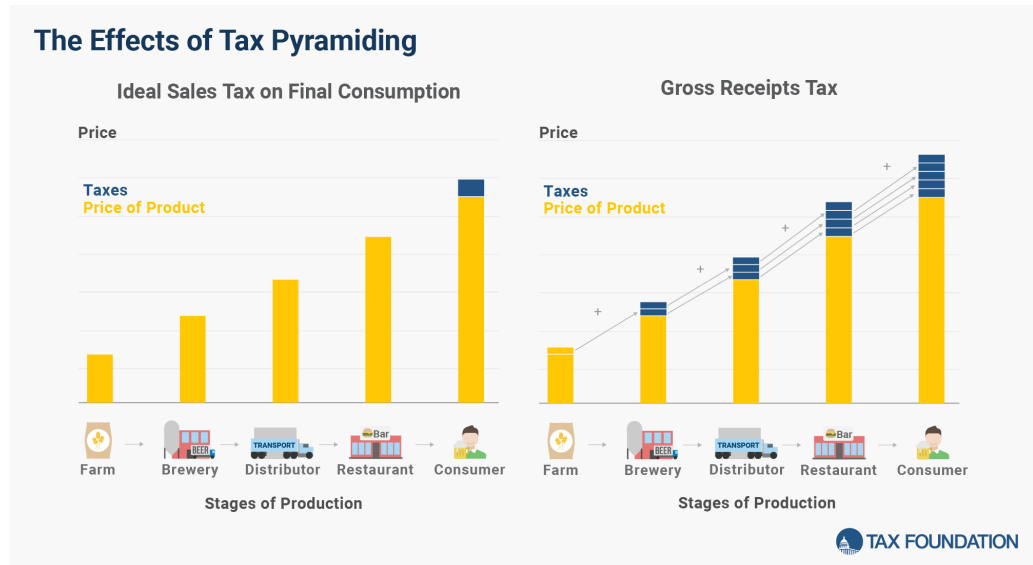
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<sup>9</sup> Gerena, Jesus, “How a Sam Altman-backed study into guaranteed income was widely misinterpreted,” Yahoo!Finance, 4 September 2024, <https://ca.finance.yahoo.com/news/sam-altman-backed-study-guaranteed-095413665.html>

<sup>10</sup> Walczak, Jared, “Oregon Measure 118 Is an Aggressive Sales Tax – and Worse,” Tax Foundation, 16 September 2024, <https://taxfoundation.org/blog/oregon-measure-118-aggressive-sales-tax/>

<sup>11</sup> “\$1,600 for every Oregonian, every year,” Yes! On 118, [https://www.yesonmeasure118.com/?gad\\_source=1&gclid=EAlalQobChMI5cLi9\\_LciAMVeQytBh0QVisKEAAYAiAAEgKz\\_k\\_D\\_BwE](https://www.yesonmeasure118.com/?gad_source=1&gclid=EAlalQobChMI5cLi9_LciAMVeQytBh0QVisKEAAYAiAAEgKz_k_D_BwE)

**KEY INFORMATION  
COLUMN**



*Businesses survive on sales not profits*

*The new Measure 118, would endanger businesses with large sales and small margins because of the massive increase in taxes.*

One thing Oregon voters and policymakers fail to understand repeatedly as they choose damaging schemes like the Corporate Activity Tax (2019)<sup>12</sup> and consider proposals like Measure 118, is that businesses do not survive on sales, they survive on margins. If a business has \$25.1 million in sales but \$25 million in costs, that leaves only \$100,000 in profit, that margin will be eaten up and more by this new tax scheme proposed in Measure 118.

The new Measure 118, would endanger businesses with large sales and small margins because of the massive increase in taxes. The Oregon Legislative Revenue Office found that businesses above \$25 million would experience major increases in minimum taxes to the tune of millions of dollars, regardless of net income.<sup>13</sup> If adopted, the CAT and Measure 118 would mean that corporate taxes in Oregon would amount to more than 5 times that of any other state.<sup>14</sup> Many of these businesses are not forced to remain in Oregon or continue doing business in Oregon. Measure 118 would discourage vibrant economic activity in the state, discouraging GDP growth and employment, and hurting Oregon families needing opportunities for good jobs.

***Comparison of Current Law Tax and Measure 118 (Oregon Legislative Revenue Office)***

<sup>12</sup> “Corporate Activity Tax (CAT),” Oregon Department of Revenue,

<https://www.oregon.gov/DOR/programs/businesses/Pages/corporate-activity-tax.aspx/1000#:~:text=The%20CAT%20is%20applied%20to,will%20have%20a%20payment%20obligation>

<sup>13</sup> Legislative Revenue Office, “Ballot Measure 118: A Description and Analysis Report #7-24,” State of Oregon, September 2024, <https://www.oregonlegislature.gov/lro/Documents/Measure%20118%20Report.pdf>

<sup>14</sup> Byers, Steven and Mark McMullen, “Ballot Measure 118: A Seismic Change to Oregon’s Tax System,” Common Sense Institute Oregon, 28 August 2024, <https://www.commonenseinstituteus.org/oregon/research/ballot-issues/ballot-measure-118-a-seismic-change-to-oregons-tax-system>

**KEY INFORMATION COLUMN**

*Under current Oregon tax law, the share of corporate tax is distributed between Management of Companies (19.3%), Wholesale (16.2%), Finance and Insurance (13.5%), Retail (12.6%), and Manufacturing (10.5%). All other categories are less than 10%.*

Hypothetical C-corporation	Oregon Sales (\$M)	Net Income (\$M)	Current Law Tax (\$)		M118 Tax (\$)		Difference (\$)
			Tax From Rates	Minimum Tax	Tax From Rates	Minimum Tax	
A	\$20	\$4	<b>\$294,000</b>	\$15,000	<b>\$294,000</b>	\$15,000	\$0
B	\$60	\$3	<b>\$218,000</b>	\$50,000	\$218,000	<b>\$1,100,000</b>	\$882,000
C	\$60	\$18	<b>\$1,358,000</b>	\$50,000	<b>\$1,358,000</b>	\$1,100,000	\$0
D	\$90	\$1	\$66,000	<b>\$75,000</b>	\$66,000	<b>\$2,025,000</b>	\$1,950,000
E	\$90	\$6	<b>\$446,000</b>	\$75,000	\$446,000	<b>\$2,025,000</b>	\$1,579,000
F	\$200	\$15	<b>\$1,130,000</b>	\$100,000	\$1,130,000	<b>\$5,350,000</b>	\$4,220,000
G	\$200	\$30	<b>\$2,270,000</b>	\$100,000	\$2,270,000	<b>\$5,350,000</b>	\$3,080,000

Under current Oregon tax law, the share of corporate tax is distributed between Management of Companies (19.3%), Wholesale (16.2%), Finance and Insurance (13.5%), Retail (12.6%), and Manufacturing (10.5%). All other categories are less than 10%. Measure 118 would redistribute the burden of the corporate tax, concentrating the burden on Wholesale (21.1%) and Retail (20.3%). These are low-margin businesses that will struggle to continue Oregon operations in the face of a heavy-handed tax.

*Oregon’s General Fund will be Shortchanged*

Oregon’s Legislative Revenue Office says that Oregon’s General Fund will be reduced by billions of dollars. The rebates will be paid out in two ways either through a tax credit for filers or a direct payment for those who do not file taxes. Both avenues will quickly limit the general fund’s ability to pay for other projects like education, safety, etc. Tax credits will reduce deposits into the general fund and direct payments will increase spending out of the general fund.<sup>15</sup>

Though designed to be revenue neutral, Measure 118’s tax revenue will have constitutional requirements to move fuel sales to the Highway Fund and divert money to the State School Fund because of designated “kicker” funds. The measure also stipulates that no one receiving federal or state benefits will experience a reduction in support, due to rebates. The state would have to make up these “hold-harmless” payments, further shortening the general fund's ability to cover other existing programs.

**Conclusion**

Oregon voters need to look beyond the quick fix that Measure 118 promises. If voters are enticed by the Oregon Rebate’s claim to put money in the pockets of Oregon residents, they will quickly find there is no money left from other sources. In summary:

<sup>15</sup> Byers, Steven and Mark McMullen, “Ballot Measure 118: A Seismic Change to Oregon’s Tax System,” Common Sense Institute Oregon, 28 August 2024, <https://www.commonsenseinstituteus.org/oregon/research/ballot-issues/ballot-measure-118-a-seismic-change-to-oregons-tax-system>

**KEY INFORMATION  
COLUMN**

- A UBI may help self-reported well-being, but economic challenges faced because of Measure 118 will not be helped through a decrease in worker productivity;
- Residents will quickly find that a compounding, hidden sales tax will eat away at the rebate and harm their family budgets, hurting the lowest-income households the most, despite the annual payments;
- Businesses growth will slow or relocate to tax-friendly states, increasing unemployment, decreasing investment in Oregon, and limiting Oregon small businesses; and
- Oregon state funding will quickly struggle to make up budget gaps to fund basic programs like education, public safety, agency administration, natural resource management, and more.

Measure 118 entices voters with free money, ignoring the many downfalls that will see the rebate and more dollars disappear from family budgets. Policies that claim to make corporations “pay their fair share” will instead burden Oregon’s lowest-income families, subject local businesses to economic hardship, and deter economic growth from ever entering the state.

**Nothing in this  
publication shall be  
construed as an attempt  
to aid or hinder the  
passage of any  
legislation.**



# ABOUT THE AUTHOR

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Madi holds a master's degree in Agricultural and Resource Economics from Colorado State University as well as a B.S. in Environmental Economics, Policy, and Management from Oregon State University.

She is the former Director for the Initiative on Agriculture at Washington Policy Center, one of the first free market think tanks in the nation to launch a focus on Agriculture.

Before joining WPC, she worked for Ag Association Management in Tri-Cities, Washington, working with growers and industry across Washington, Oregon, and Idaho. She also spent two years as an associate of The Context Network. Her time involved working as a business analyst on various agriculture projects in production, wholesale, retail, and policy Ag sectors. She was also a wildland firefighter for four summers.

Madi's work has been published in the Idaho Statesman, The Capital Press, Tri-City Herald, and the Spokesman-Review.

