



LEAGUE OF WOMEN VOTERS® OF OREGON

The League of Women Voters of Oregon is a 97-year-old grassroots nonpartisan political organization that encourages informed and active participation in government. We envision informed Oregonians participating in a fully accessible, responsive, and transparent government to achieve the common good. LWVOR Legislative Action is based on advocacy positions formed through studies and member consensus. The League never supports or opposes any candidate or political party.

June 2, 2017

To: [Joint Committee on Tax Reform](#)

Co-Chairs Senator Mark Hass and Representative Phil Barnhart, Co-Vice Chairs Senator Brian Boquist, Representative Cliff Bentz and Representative Barbara Smith Warner

Re: Tax Reform Discussion as outlined in [LC 3549 DRAFT 2017](#) and
[Draft Tax Reform Plan \(5-25-17\)\(D\)](#) – **Support Legislative Action on CAT this Session**

The League of Women Voters believes that efficient and economical government requires competent personnel, the clear assignment of responsibilities, adequate financing, and coordination among the different agencies and levels of government. The League of Women Voters believes that government should be responsive to the will of the people and should maintain an equitable and flexible system of taxation.

We commend and appreciate this committee's bipartisan and bicameral work as you have thoughtfully considered Tax Reform, working through a complex 111-page legislative concept and asking probing questions resulting in more than a dozen simulation models. You have worked with respect and decorum to develop a workable Commercial Activity Tax (CAT) to offer Oregon more stability through recessions that have had devastating impacts on past state budgets. You announced as this Joint Committee began that Cost Containment and Tax Reform would move forward together, or not at all. The League wishes to express our thanks and appreciation for this difficult effort and to acknowledge your progress. Significant work has been done over many years, while additional substantial depth and study this session has delved even deeper. This is not the time to kick this work down the road to another year or another committee. **We believe that now is the time, this session, to pass a TAX REFORM bill based on your substantial work.**

Your work has considered various CAT rates, searching for the sweet spot that offers Oregon a more stable tax plan, increases revenues to fund essential programs and services, while not overburdening those who do business in Oregon. You are considering a tiered CAT structure for wholesale, retail, services and other business entities to minimize pyramiding. You have proposed that businesses below some level (\$1M, \$3M, \$5M) pay only a flat tax, possibly \$250, so that small businesses may thrive. You are considering a CAT credit for pass-throughs such as S-Corps to basically avoid double taxation. By slightly adjusting personal income tax rates you have attempted to address some aspects of regressivity that impacts those with low incomes. We anticipate that you may further address regressivity for the poor who do not file tax returns. And you are considering moving from a system that allows many businesses to avoid "nexus" and avoid Oregon taxes to a fairer system that more broadly includes all commercial activity that takes place in Oregon.

You have reviewed and noted CAT-type tax policy systems that have been successful in other states. This addresses the lack of stability in our current tax system and the need for a long-term answer to funding state services. Any short-term answer reduces the opportunity for more efficient and cost-saving long-term planning. A CAT is among the least costly to implement for businesses. And it more fairly divides the funding responsibility for state services among all the beneficiaries.

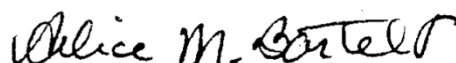
In closing, we maintain that the complexity of Tax Reform is best suited to the work of the Legislature. While we appreciate the initiative process, it is not designed to address the multiple nuances of tax policy. We remember your work on property tax Measure 50 after a flawed Measure 47 passed. Not addressing the need

for revenue to adequately fund our K-12 schools, higher education, social services, public safety and natural resource agencies creates an atmosphere where frustrations show up at the ballot box. While we appreciate the business community, no one group speaks for Oregon business. We recognize that you, the Legislature, are the elected voice of the people of Oregon. You have the respect of the people as you make these tough decisions in the best interest of Oregonians. **We believe that now is the time, this session, to pass a TAX REFORM bill.**

Thank you for the opportunity to discuss Tax Reform. We will comment on the specific bill when released.



Norman Turrill
LWVOR President



Alice Bartelt
LWVOR Legislative Action Chair

Background: In December 2016, the LWVOR Legislative Action Team prioritized key areas for the 2017 session including: **“REVENUE AND TAX REFORM by adopting stable and fair revenue policies and tax reforms to adequately fund services and functions critical to the well-being of Oregonians.”** League has a unique perspective on the legislature, following sessions over many years. We follow portfolios on **Governance, Education, Natural Resources, and Social Policy**. We don't just advocate for one issue. We follow most of the legislative committees and pay great attention to the Oregon's budget and revenue sources. Our Action Team coordinators are highly knowledgeable subject experts, unpaid volunteers—not paid to advocate a specific position. Each coordinator listed below is available to discuss how budget and revenue decisions made this session will impact the people of Oregon and our state's natural resources.

- Governance Coordinator: Becky Gladstone, rebecca.gladstone@gmail.com
- Public Access Coordinator: Paula Krane, kranep@peak.org
- Natural Resources Coordinator: Peggy Lynch, peggylynchor@gmail.com
- Social Policy Coordinator: Karen Nibler, niblerk@comcast.net
- Education Policy Coordinator: Chris Vogel, chrisvogelvolunteerlwvor@gmail.com

Cc:

Joint Committee on Tax Reform Members: Senator Herman Baertschiger Jr., Senator Chuck Riley, Senator Kathleen Taylor, Representative Knute Buehler, Representative Diego Hernandez, Representative Mark Johnson, Representative Pam Marsh, Representative Rob Nosse, Representative Greg Smith

Senate President Peter Courtney
Speaker of the House Tina Kotek
Full Ways and Means Co-Chairs Senator Richard Devlin and Representative Nancy Nathanson
Senate Majority Leader Ginny Burdick
Senate Minority Leader Ted Ferrioli
House Majority Leader Rep. Jennifer Williamson
House Minority Leader Mike McLane

Legislative Revenue Office: Paul Warner and Chris Allanach