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June 13, 2017

Dear Co-Chairs Hass & Barnhart and members of the Joint Tax Reform Committee,

**The Oregon State Chamber of Commerce represents 84 local Chambers of Commerce and 24,000 local businesses in every corner of Oregon.** OSCC opposes HB 2830 as amended to include a 'commercial activities tax.'

OSCC supports the work and the tenets of the Brighter Oregon coalition. First, we believe the legislature should be focused on growing the economy. Next, our members believe the legislature should implement serious cost containment policies so that state government costs are sustainable within current resources. Finally, OSCC members can support added revenue from the business community dedicated to targeted investments in education.

OSCC members do not believe that current actions on real cost containment have been sufficient to warrant support of new revenues.

From a tax policy standpoint, OSCC opposes HB 2830 for the following reasons:

1. The fundamental failing of a 'commercial activities tax' is that it unfairly taxes businesses with low profit margins or no profit at all. High margin businesses will do well under a CAT, but low margin businesses – generally those businesses with 3% profit margins or less – will have effective tax rates substantially higher than current law. A CAT proposal is not connected to a taxpayer's ability to pay the tax, and it will unduly harm certain sectors and start ups.

2. HB 2830 will impact small businesses. Whereas Measure 97 taxed companies with Oregon sales of $25 million or more, HB 2830 taxes small businesses down to $3 million in sales. OSCC believes that taxing small business – particularly those that are low margin or unprofitable – is a bad policy choice.

3. HB 2830 will impact pass-through businesses such as S corps and LLC's – those that pay taxes through their owners' individual tax returns. The pass-through credit is an attempt to alleviate the impact on these business entities, but the problem is that the pass through credit can be taken away with a simple majority vote of the legislature.

OSCC members do not believe that the current corporate tax system is necessarily unsustainable. Indeed, despite a steadily declining C corp tax base, the corporate tax system is yielding record amounts of revenue for the state. Our belief is that the problem lies with unsustainable public expenditures. If those expenditures are made sustainable, OSCC believes that raising revenue through the current tax system can meet the state's needs.

Sincerely,

Alison Hart

Alison Hart, Executive Director

867 Liberty NE, Salem, OR 97301 | oregonchamber.org | 503-363-2182