OREGON BUSINESS & INDUSTRY OBI

OBI Opposes SB 1528-B

February 23, 2018

Oregon Business & Industry urges full connection to the federal tax code and the 2017 "Tax Cut and Jobs Act." OBI opposes selectively disconnecting from economy-boosting tax cuts for the following reasons:

Full connection is still the right option for small business. While Oregon's current small business tax cut is good policy for small businesses with employees, the new federal policy that allows the 20% deduction for S-corps, LLC's, partnerships and sole proprietorships is much more inclusive and captures the full range of small businesses not covered under Oregon's small business tax cut law.

SB 1528 denies $180+ million per year in tax reductions to Oregon's small businesses that would otherwise be due. We won't get into the semantics of whether or not this constitutes a tax increase, but the fact is that small businesses are now legally entitled to a $180 million/year tax reduction on their state returns and under SB 1528-B, they won't receive it.

It is important to remember that the federal tax cuts did not cut taxes for all small businesses. The federal tax legislation contained a mix of both tax increases and tax cuts. Some pass-through business will see tax increases as a result of the federal legislation. The 20% pass through deduction helped balance the scales for these businesses. Selectively disconnecting from the actual tax cuts – and not the tax increase - will result in actual tax hikes.

The better option this session is to connect fully to the 2017 "Tax Cut and Jobs Act" for all pass-through businesses. If the repatriated income comes in as advertised, it will be a net revenue gain for the state in both the short term and long term. The added benefit will be that Oregon's small business sector will be empowered and fueled with significant tax cuts that will cost the state nothing out of pocket.

From the Desk of
Senator Jackie Winters