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To: [JCSS Exhibits](#)
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Written Testimony by

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Joint Committee on Student Success.

16 April,2019

HB 3427

Accushape is a small business in Albany engaged in processing titanium and now a new body armor product line. I have owned small metal businesses in Albany for 50 years.

For full disclosure, I have been a member of the AOI/OBI Tax and Fiscal policy committee for more than 20 years and am thereby very familiar with the tax and fiscal issues faced by Oregon and the repeated attempts to solve the structural issues. My comments are solely my own views a must not to be construed to represent any positions of OBI.

I want to congratulate the joint committee members for taking the time to meet with school officials in many areas around Oregon to better understand the needs of our education system. Now you need to take the time to find a long-term solution. You have the ability to fix the structural fiscal issues for Oregon. You have the responsibility to do the job properly. Slow down you're your process and think about what you are doing.

The proposed additional tax and methods of taxation will adversely affect my business and the largest employer sector in Linn County, the metal industry which now employees more than 2500 people. All the metals business in Linn County, other than Accushape, are owned by large out of state interests. Several have operations outside of Oregon and have the option of moving production out of Oregon.

Customers of the metals industry are not in Oregon. For my company 50% of revenue comes from international customers, 45% from other states in the US. The metals industry in Linn County must compete with US and international companies including major sources in Russia and China.

Your massive tax increase and proposed methods of taxation are sending a very negative message to the out of state owners.

1-Oregon does not really encourage business to come to or remain in Oregon.

2-By limiting the deduction for wages Oregon places the same value on products produced elsewhere as it does for products made by workers in Oregon.

3-Oregon taxes business twice, when products are sold and when profits are made.

No matter how many code names are used, a consumption tax is a consumption tax. Depending on how structured including apportionment issues, a business consumption tax invites gaming the system with decisions of where to produce, where to sell and where to be taxed. You will end up with large multi-state, international companies paying little of the consumption tax while crushing businesses that produce and sell only within Oregon. Such an outcome is bad economic policy for

Oregon and counterproductive in the long run.

PERS investment managers do not invest in companies in order for those companies to pay taxes to any jurisdiction. They invest only in the prospect of profits being earned and taxes being paid on profits.

Businesses do not pay taxes, customers do. Employees pay taxes on wages; the more people employed the more money a taxing jurisdiction collects. Value added comes from what workers do to increase the value of a product or service. Businesses pay more taxes when they grow and make more profit. Businesses go bankrupt or otherwise go away if they do not make adequate profits.

Your focus on revenue with little consideration for fiscal responsibility sends the wrong long-term message to business. Yes, you will solve this periods budget problems while creating the potential for long term revenue problems by discouraging business to come to Oregon or expand existing operations. Literally you are seeking a "payday loan" to solve a short-term issue with little consideration to how you will repay the loan. Your tax and fiscal policies will reduce long term economic growth, employment and profits of businesses.

My practice is not to complain or oppose unless I can offer solutions.

1-Instead of denying or limiting the deduction for payroll costs you could provide an incentive for business to come to Oregon, grow in Oregon by using a multiplier of payroll cost. A special deduction of perhaps 10% to 20% of wages paid over the magic \$15 per hour with a top limit on excessive compensation would provide an incentive for business to increase wages and higher more workers.

2-Why add the burden of a second tax return to both business and the Department of Revenue. A straight forward increase in the business tax rates would be simple and would not punish struggling companies. You are not going to collect consumption taxes from sales made to other states and countries. But you can collect taxes from the profits made to on those sales.

3-Step up to plate and stop complaining. Pass a resolution to refer to voters repeal of the ill-conceived Measure 5 imitations which created part of the structural damage and allowed the accumulation of untaxed wealth that does not employ people.

Respectively, Robert G. Lee