From the desk of
Rep. Barreto

NFIB

Oppose HB 3427's Tax on Sales in Oregon

Taxing Oregon sales is a regressive approach that has already been rejected by Oregon voters – and just like all gross receipts taxes, taxes would be owed whether a company makes a profit or not, ensuring that the state gets paid before anyone else.

The "Corporate Activities Tax" proposed in House Bill 3427 is a monumental shift in the way businesses are taxed in Oregon. In a recent survey of NFIB members in Oregon, an overwhelming **91 percent of respondents opposed the creation of a new consumption-based business tax** designed to reduce the state's reliance on personal income taxes.

HB 3427's "Corporate Activities Tax"

- Creates a gross receipts tax on businesses to fund new education spending.
- Applies to all business entities, regardless of business structure: C corps, S corps, Partnerships, LLC's, and sole proprietorships.
- The tax is $250 + 0.57% of Oregon sales for businesses with $1 million or more in annual gross receipts.
- The proposal includes a 35% subtraction: The greater of cost of goods sold or labor costs. This is not enough to adequately account for the "pyramiding" effects of a gross receipts tax.
- The bill includes a very small reduction in personal income taxes for most Oregonians, but not enough to offset price increases from pyramiding.
- Excludes transportation fuel sales, "grocery" sales, and several other specified items, but only on the final purchase from the customer – most of these items will still be taxed at every stage in the supply chain, resulting in higher prices.
- Generates at least $1 billion per year in new taxes for the state to spend on K-12 education – all from Oregon sales.
- Could be easily expanded by future Legislatures without a required three-fifths vote – or raided by future Legislatures for other uses.

NFIB members have consistently and **overwhelmingly voted to oppose the concept of a gross receipts tax –** not necessarily because all of them are worried about paying the tax directly, but because of the negative effects it would have on them as customers of larger businesses and as consumers of the same products and services used by nearly every Oregonian. They also oppose the concept because **the very idea of taxing a business on its gross sales, whether it makes a profit or not, is objectionable to entrepreneurs** who already bear the financial and legal risks of owning, operating, and trying to grow a small business.

Taking into account all of these factors, and the prospect that the Oregon Legislature is also considering an expensive new **Paid Family & Medical Leave** payroll tax, a **Cap & Trade** program that will generate new revenue to the tune of hundreds of millions of dollars per year, and several other revenue-raising measures totaling as much as **$5.67 billion in new tax revenue for the 2019-21 biennium**, we ask you to...

Protect Oregon's small and family-owned businesses by voting NO on HB 3427

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