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Oregon voters have already said NO to a hidden sales tax

A tax on Oregon sales is really about extracting money from Oregon businesses for pension debt

OREGON VOTERS HAVE ALREADY SAID NO

Just over two years ago, Oregonians overwhelmingly said no to a tax on Oregon sales similar to the proposal envisioned in HB 3427. 34 of Oregon's 36 counties opposed Measure 97, with nearly 60% of the total votes cast statewide voting no on the proposal. Lawmakers should honor the will of Oregon voters by rejecting this new tax on sales.

IT'S A TAX ON SALES, NOT PROFITS

Just like Measure 97, HB 3427 is a tax on Oregon sales, not profits. That means even businesses that lose money would be forced to pay the tax. Gross receipts taxes are often referred to as a "tax on a tax" because goods and services are hit at each step in the supply chain, leaving Oregon businesses paying an effective tax rate far higher than what is proposed in HB 3427. This phenomenon, often referred to as "pyramiding," is particularly harmful to Oregon industries like manufacturing, which rely on a long supply chain of Oregon-based goods to produce their products. A former state economist previously characterized a gross receipts tax as functioning "like a sales tax on steroids."

PUNISHES SMALL BUSINESSES AND STARTUPS

The $1 million exemption threshold in HB 3427 is far too low and translates into tens of thousands of small, family-owned businesses being included in the tax. HB 3427 also punishes high-investment, high-growth startup businesses and creates significant barriers to new competitors. For the startup businesses that are investing in production and spending high amounts of overhead to grow the business, they will be paying taxes under a gross receipts tax while most likely incurring what would otherwise be non-taxable losses under a corporate income tax. This hurts the startup culture and upsets competitive balance between new and established businesses.

HURTS HIGH VOLUME, LOW MARGIN BUSINESSES

Many Oregon industries rely on a high volume, low margin business model to earn a profit. Those margins would be destroyed by the compounding impacts of pyramiding under a gross receipts tax. Businesses that compete in regional and global markets would be placed at a significant competitive disadvantage with their competitors in jurisdictions without this harmful tax structure.

NO PLAN FOR PERS REFORM & COST CONTAINMENT

Even with $2 billion in new taxes, HB 3427 is unlikely to make a significant improvement in classroom outcomes. Oregon's unfunded pension liability is approaching $27 billion, with school districts and public employers forced to pay more money into the system every year. According to a recent analysis by The Oregonian/OregonLive, "rising (pension) costs could consume nearly the entire tax increase by 2031."

DEDUCTIONS COULD BE ELIMINATED ON SIMPLE MAJORITY

Legislative lawyers have previously concluded the tax deductions, like the input and labor deduction provision included in HB 3427, can be eliminated on a simple majority vote. While this position is heavily disputed by third-party attorneys, the Legislature has previously revoked these deductions on simple majorities. As lawmakers inevitably look for additional revenue in future sessions, the deduction included in HB 3427 will undoubtedly be a target, meaning Oregon businesses could be stuck paying an even higher tax bill and consumers facing additional price increases.

From the desk of E. Werner Reschke

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