Chair Burdick, Vice-chair Boquist and Members of the Committee:

For the record, my name is Anthony Smith, Oregon state director for the National Federation of Independent Business, representing thousands of small businesses across the state, many being the smallest of small businesses, with about 90% of our members in Oregon having fewer than 25 employees and 70% having fewer than 10 employees.

NFIB is neutral on SB 137 as it was introduced, however we have significant concerns with the -1 amendments, which will be the focus of my testimony today.

In response to the coronavirus pandemic, the United States Congress recognized the financial hardships families and businesses have experienced because of sudden job losses and business closures by passing the CARES Act with overwhelming bipartisan support. Among other provisions, the CARES Act authorized Economic Impact Payments (stimulus checks) for individuals and made significant reforms to the federal tax code to provide tax relief to businesses. Both policies sought to address the core problem of reduced cashflow and liquidity.

As the committee heard from the CPA's on February 2, normally Oregon automatically connects to the federal tax code. The -1 amendments to SB 137 would change that standard practice, making Oregon businesses ineligible for state-level tax relief that would otherwise flow their way. The -1 amendments divert much-needed cash from the pockets of struggling Oregon businesses to state coffers, making it harder for small businesses to keep their doors open and put unemployed Oregonians back to work.

The -1 amendments would disconnect Oregon from three parts of the CARES Act: the business loss limitation provision, the net operating loss provision, and the business interest limitation provision. Passed in a bipartisan congressional vote, the combined effects of these key features the CARES Act allow for the immediate monetization of business losses, rather than having to carry losses forward to future tax years, and allows for an increased deduction for interest paid, recognizing that many businesses are having to borrow in order to ride out the pandemic. The primary purpose of these provisions is to address liquidity in a time when most businesses are experiencing challenging cashflow issues.

If SB 137 with the -1's becomes law, the state would deny much-needed tax relief to thousands of Oregon businesses totaling $83.9 million in the current biennium and $32.6 million for the 21-23 biennium, based on the best available figures produced by LRO to date. By the 23-25 biennium, this policy change would negatively impact the state budget by $25.4 million. With the future of the economic recovery still largely unknown, this could exacerbate future state budget holes, while it is still unclear whether the state will need to fill a budget hole for the 21-23 biennium as talks of a relief package for the states continue between the Biden administration and the new Congress.

By adopting the -1 amendments, the state would be prioritizing its own possible budget needs over the immediate cashflow needs of Oregon businesses – and the jobs that those businesses provide to working Oregonians. These businesses have been asked to play a critical role in stopping the spread of COVID-19. Many were required to shutter their doors. More have seen a drastic drop in sales – and nearly every business is now required to enforce public health and safety mandates. All these factors have had significant financial impacts on Oregon's small businesses. The last thing any of them need right now is a higher tax bill.

NFIB respectfully asks the Legislature to protect Oregon businesses and the jobs Oregonians depend on by opposing the -1 amendments to SB 137.

Thank you for your consideration,

Anthony K. Smith
Oregon State Director