

Date: June 7, 2021

To: Chair and Members of the Senate Committee on Finance and Revenue  
From: Scott Bruun, OBI  
RE: OBI Testimony in Opposition to SB 139 -7 and -10

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**Madame Chair and Members of the Committee:**

Good afternoon, my name is Scott Bruun and I am Director of Tax and Fiscal Policy for Oregon Business and Industry. OBI is a member-led business trade association with over 1,600 members that employ approximately 300,000 Oregonians.

I am testifying today in opposition to SB 139 and the -7 and -10 amendments.

We are in opposition because the bill and the -7 and -10 amendments would raise taxes on thousands of Oregon partnership businesses at a time when many of those businesses are still gathering themselves from the economic impacts and uncertainty of COVID.

These amendments would raise taxes on businesses in every corner of our state, and in just about every commercial business activity – although they look like they would have the greatest adverse impacts on professional and medical service firms. Whether these businesses have 20 employees or 200 employees, each has an interest in keeping those employees working. SB 139 will make it harder for those businesses to do that.

We think it's also important to note that, given the incredibly positive revenue position we are in, the state does not need the additional revenues raised by this bill. The monies that would be raised here mean very little in terms of the massive forecasted surpluses and a state budget approaching \$30 billion, but it means quite a lot to the businesses that would have to pay it. In fact, it may mean everything to them as they consider whether to expand or even stay in Oregon.

Finally, Madame Chair and committee, I want to point out some potential technical and compliance challenges with the amendments.

First, the additional requirement that work be performed by Oregon residents may be unconstitutional in that pass-through entities that employ non-Oregon residents, even if they are performing work in Oregon, could be taxed higher than entities employing only Oregon residents.

Second, the proposed 25% cap on distributions appears problematic. Calculating the ratio based on the current year plus the past two years restricts the benefit of the rate reduction for entities that complied as of the retroactive effective date and had prior distributions. This makes the measure effectively retroactive to January 1, 2019. Tax

increases based on previous business decisions made in full compliance with the tax laws at that time are likely going to be challenged.

For all these reasons, Madame Chair and committee, OBI urges opposition to SB 139 and the -7 and -10 amendments.

Thank you.

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