



The League of Women Voters of Oregon is a 101-year-old grassroots nonpartisan political organization that encourages informed and active participation in government. We envision informed Oregonians participating in a fully accessible, responsive, and transparent government to achieve the common good. LWVOR Legislative Action is based on advocacy positions formed through studies and member consensus. The League never supports or opposes any candidate or political party.

June 8, 2021

To: [Sen. Burdick](#), Senate Finance and Revenue, Chair
Sen. Boquist, Senate Finance and Revenue, Vice-Chair
[Members of the Senate Finance and Revenue Committee](#)

Email: <https://olis.oregonlegislature.gov/liz/2021R1/Committees/SFR/Overview>

Re: [SB 139](#) – Pass- Through Entity Tax Reform - **Support**

One of the League of Women Voters of Oregon’s priorities for the 2021 session is “to generate adequate revenue for essential services while promoting equity and **progressivity in tax policy based on the ability to pay, and that it be equitable, adequate, stable, easy to administer and as simple as possible.**”

The -10 amendment to SB 139 just introduced on June 4 is a modest and sensible reform to the overly generous tax break for the three groups of sole proprietors, partnerships and S-Corps, that take advantage of the pass-through tax break, which has meant Oregon did not collect about \$124.6 million in revenue from 27,543 Oregon business income taxpayers in 2019 alone! Most of this revenue was lost from the very few businesses (3,500 – 4,500 out of 27,543) that fall in the highest Ordinary Business Income (OBI or profit) tax brackets. LRO has calculated that -10 changes will mean these highest income entities (about 2,000) will pay at the same tax rate as what most individual working taxpayers pay at 9.9%. But many more businesses (20,000) will qualify for the 7% tax break at the lower end, with a net income revenue gain for Oregon of approximately \$30 to \$40 million per year over next three biennia. This is accomplished by tightening up the definition of which businesses can qualify for the pass-through tax credit by requiring either that partnerships and S-corps with under \$500 million OBI must 1) meet or exceed the OR employee to owner ratio or 2) reinvest 75% of their business income distribution in the company. 90% of all entities overall will continue to qualify, and 2/3 will have **reduced** rates, but more entities in the over \$500 million OBI will no longer benefit from the tax break.

While the League would far prefer to see tax rates reduced for the lowest quintiles of personal income taxpayers, and the pass-through tax breaks eliminated as the fairest tax policy reform, these minor tax rate changes certainly will be a big improvement over our current business taxes. We hope you will support and pass SB 139 with the -10 amendment.

Thank you for the opportunity to discuss this legislation.

Handwritten signature of Rebecca L. Gladstone in black ink.

Rebecca Gladstone
LWVOR President

Handwritten signature of Josie Koehne in black ink.

Josie Koehne
LWVOR Revenue Coordinator