

Date: February 7, 2022

To: Chair and Members of the Senate Finance and Revenue Committee
From: Scott Bruun, OBI
RE: OBI Testimony on SB 1524

Good morning, Chair Beyer and members of the Senate Finance Committee, my name is Scott Bruun and I am the Director of Tax and Fiscal Policy for Oregon Business & Industry.

Thank you for the opportunity to testify on SB 1524.

OBI supports the -1 amendments to extend the Gain Share program through 2030. We believe Gain Share is a good program and vital to the stability of the state's Strategic Investment Program, which in turn is a critical tool in our ability to attract and retain significant jobs-producing capital investments.

We are also supportive of other elements of the base bill, including expansion of the rural medical practitioner tax credit to include medical laboratory scientists and laboratory technicians.

We do want to point out a section of the bill, however, that we believe is problematic. In Section 3 of the printed bill, Subsection 2, which is basically the bottom of page 3 and top of page 4, there is language that would change the date when a pass-through partnership entity is required to make an election to use the state and local tax workaround tool that was passed in 2021 through SB 727.

Under current law from that bill, the election to engage in the workaround is made when the tax return is filed. But the changes proposed in Section 3 would, instead, require the election to be made by April 15th of the tax year. In other words, under current law, the 2022 election is not required until 2023, when the return is actually filed. Yet the change in Section 3 would require the election to be made by April 15, 2022, only two months from now. Our sense is that this change is being asked for in order to ensure that partnerships make estimated payments to the Department of Revenue. However, we believe the proposed change in Section 3 will create a new problem in order to fix a "problem" around estimated payments that doesn't actually exist.

In reality, if a partnership doesn't make estimated payments and then makes the workaround election, it's going to be subject to penalties. No partnership wants to pay penalties, so there is an incentive for partnerships to try and get this right by making estimated payments.

Then there are also the basic compliance issues to consider. Partnership business entities are conditioned to make these sorts of determinations, based on advice of their

tax professionals, at the time of filing. This is when it makes sense to make these decisions. To now go to a structure that requires these decisions to be made 8 months before the end of a tax year, without the information available that filers need to make the best decisions, will create new cost and compliance challenges. It will also catch many filers by surprise.

To avoid these problems, OBI respectfully requests that the change language in Section 3, Subsection 2 be removed from the bill.

Thank you.

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