



Date: June 6, 2023

To: Chair and Members of the Senate Finance and Revenue Committee

From: Scott Bruun, OBI

RE: Testimony in opposition to SB 140-3 / CAT rate increase & cost deduction decrease

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Chair Meek and Members of the Committee,

I am Scott Bruun, director of tax, fiscal and manufacturing policy for Oregon Business & Industry. OBI is a statewide association representing businesses from a wide variety of industries and from each of Oregon's 36 counties. In addition to being the statewide chamber of commerce, OBI is the state affiliate for the National Association of Manufacturers and the National Retail Federation. Our 1,600 member companies, more than 80% of which are small businesses, employ more than 250,000 Oregonians.

OBI strongly opposes the -3 amendments to SB 140 because it would raise taxes on thousands of Oregon businesses.

Oregon businesses already pay among the highest tax rates in the nation. And it's getting worse. An Ernst & Young report from 2022 demonstrates how the effective tax burden has increased nearly 30% for Oregon businesses in just the last few years. The Tax Foundation, in its 2023 business tax index, gives Oregon a corporate tax rank of 49th in the nation. California was ranked 46<sup>th</sup> and Washington state 37<sup>th</sup>, for comparison. And CEO magazine, in its 2023 report on Best & Worst States for Business, ranked Oregon 46<sup>th</sup>, down a spot from our ranking in 2022.

The -3 amendments to SB 140 would make all of this worse for thousands of Oregon businesses. The amendments would lower the very carefully negotiated and balanced cost-of-goods sold deduction that was part of the Student Success Act, from 35 down to 30%, for all companies with corporate activities of \$2 million or more. The amendments would also raise the tax rate for companies with \$10 million or more in activities from 0.57 percent to 0.615 percent. This may seem like an innocuous increase. It's not. It is, in fact, a 7.9 percent increase.

Another deeply troubling aspect of the -3s is the precedent it would set for raising taxes without a super majority. It is our understanding, under the guise of "revenue neutrality," that there is an assumption that this measure could pass with simple majorities. OBI strongly believes that this would set a horrible precedent.

We believe this flies in the face of the spirit, if not the letter, of Oregon's 3/5 requirement for tax raising measures. Once this bad precedent is established, there would be nothing to prevent future legislatures from using simple majorities to further raise CAT rates (or any other tax rate for that matter, including personal income taxes, corporate excise taxes, etc.) under the guise of revenue neutrality.

Mr. Chair, Committee, I would only note that in a session that started with passage of SB 4 and genuine progress toward improving Oregon's business climate, we are now reaching the end of session with

serious attention to bills that would damage that climate by, for example, hamstringing our enterprise zone, SIP, and Opportunity Zone programs.

The -3 amendments to SB 140 will only serve to further deteriorate Oregon's business climate. It certainly would not help our case for semiconductor investments or grants. And while we certainly support raising the exemption level to help small businesses, we can't do that at the expense of raising taxes on everyone else. And with inflation and normal growth, even the few winners that the -3s would create would be temporary only, while the losers it creates are permanent.

That's why we urge you to reject the -3 amendments.

Thank you.

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