



Date: Feb 1, 2023

To: Chair and Members of House Revenue Committee

From: Scott Bruun, OBI

RE: Testimony in support of HB 2548

Madame Chair, Members of the Committee,

Thank you for the opportunity to testify in support of HB 2548 and thank you to Rep Reschke for sponsoring this bill.

Given that you have already heard some detail around the bill and the historic reasons driving the need for it, let me take a broader approach and put HB 2548 in the context of the larger economic environment and business climate in Oregon.

As OBI has testified in recent years, the overall business tax burden in Oregon has increased dramatically. You've heard this before so I won't belabor statistics other than to just remind you that a twice issued-report by the firm Ernst & Young, most recently last October, shows that Oregon has seen a 52% increase in business taxes collected since 2019; an additional 32% increase in taxes for businesses in the Portland-Metro area; and a 29% increase in our combined state and local total effective business tax burden, which is a factor of business taxes as a share of total state domestic product.

The bottom-line with all of this is that since 2019, Oregon has gone from behind the US average to significantly above the US average in business tax burden, and above other Western States including Washington, Idaho, Utah, Arizona and even California.

Given the rising tax burden for Oregon businesses and given the increasing competition Oregon faces from other states - competition for markets, competition for investments and capital, and competition for jobs - OBI strongly believes every possible effort must be made toward reducing or eliminating other challenges and impediments.

HB 2548 addresses a significant one. Conversations around income tax sourcing and apportionment can make some eyes glaze over, I'm sure, but it's a big deal for businesses - especially when there are major inconsistencies in sourcing and apportionment. Inconsistencies are a very real risk, as you've heard, and something that remains a very real possibility going forward until and unless the legislature moves to remedy that risk.

Among other things, HB 2548 would assure that if and when a local government imposes its own local income tax, that local government would be required to use market-based income tax sourcing which is consistent with how the state sources income.

Without this alignment, a business operating within that jurisdiction will be faced with significant compliance hurdles and costs. That business basically has to run two or more sets of books. This is difficult enough for a larger company which may have permanent tax accounting staff but will be extraordinarily difficult and expensive for smaller companies. It's easy to imagine an endless parade of compliance challenges.

Madame Chair, Committee, many of OBI's members talk to us about how they view the business climate in Oregon. Without exception, they tell us that the business climate - from rising taxation to an ever-growing regulatory burden, to even how they think they are perceived within the halls of government - is getting worse.

HB 2548 isn't going to change all of that, of course. But it is a very positive move to signal real support for businesses in our state. It takes a significant complication off their plates so they can better focus on the vital things they do for their communities, their employees and our state.

Thank you.

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