



OREGON
ASSOCIATION OF
NURSERIES

**Comments on House Bill 2433 – Increasing the threshold
for the Commercial Activities Tax
Before the House Committee on Revenue**

By Jeff Stone, Executive Director, Oregon Association of Nurseries
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Chair Nathanson, Vice-Chairs Reschke and Walters, members of the committee, my name is Jeff Stone and I serve as the Executive Director of the Oregon Association of Nurseries. I commend the committee for examining ways to augment and revisit the commercial activities tax and hope my comments on House Bill 2433 will be helpful.

The Economic Footprint of the Nursery and Greenhouse Industry

The nursery and greenhouse industry is the state's largest agricultural sector, and the industry ranks third in the nation, with over \$1.19 billion in sales annually to customers in Oregon, the rest of the United States, and abroad. In fact, nearly 80% of the nursery stock grown in our state leaves our borders – with over half reaching markets east of the Mississippi River. Oregon's elite growers send ecologically friendly green products out of the state and bring traded sector dollars back to Oregon.

Nursery association members represent wholesale plant growers, Christmas tree growers, retailers, greenhouse operators and the entire supply chain to get product to market. Our members are located throughout the state, with our largest nursery growing operations found in Clackamas, Marion, Washington, Yamhill and Multnomah Counties.

The bill before you is helpful

We commend Representative Osborne and this effort to increase the Corporate Activity Tax (CAT) threshold from \$1 million to \$5 million for all businesses. We believe that this concept will provide much needed relief to thousands of small businesses. The bill is an improvement on a regressive tax that was implemented with little regard for supply chain costs to businesses across the state and the spectrum of operations. COVID certainly exposed the fragility of the supply chain and how each business, including the nursery and greenhouse industry, has seen rising costs to producing our elite green goods. I am hopeful that the legislature recognizes that \$1 million in sales **does not equate** \$1 million in profit. It never did.

The OAN encourages you to continue examining CAT relief

Since passage of HB 3427 in the 2019 session, the OAN has engaged with agricultural stakeholders in an effort to provide the Oregon Department of Revenue (DOR) real examples of the impact of this imperfect policy. The OAN has had member companies succumb to the CAT and go out of business – family businesses with employees losing their jobs during tough economic times. This was avoidable but understand the desire for adequate school funding. This is a value that the nursery and greenhouse industry shares.

To be candid, it is very frustrating after years of providing lawmakers insight into the agricultural business model that the Commercial Activities Tax is based on gross revenue instead of the more appropriate net revenue basis. The continual blind eye to this reality is a slow-moving catastrophe to agricultural operations that do not set the price of their goods (it is market based) and have razor thin margins. The cumulative impact of the CAT and the sloppy administrative rule process has created uncertainty and unintended consequences for the nursery and greenhouse industry. Often ignored by policymakers is the truth that any transactions made through the Oregon supply chain are subject to the new tax. How the nursery industry's ability to continue to absorb these cost increases and still compete with out-of-state growers who can produce goods more cheaply continues to be a troubling open question.

Changes to the CAT is important

The OAN stands ready to work hard, in a bipartisan manner, to seek solutions and make Oregon's business climate one that is healthy and creates jobs. We thank you for your consideration of House Bill 2433 and appreciate your attention to our comments.