Submitter: Fredric Leibowitz

On Behalf Of:

Committee: Senate Committee On Finance and Revenue

Measure: SB127

The Corporate Activity Tax creates a unique disadvantage to certain small businesses that choose to compete in Oregon against businesses outside of Oregon. In particular, lower margin businesses are forced to pay a minimum tax on revenues regardless of whether their business are profitable or not. Using a $2.5M business, a local small business owner would need to pay $14,500 in taxes, whether or not their business is profitable. For lower margin retail business/restaurants/hospitality businesses that are locally owned this may provide a disincentive to continue operations. Of course, with $2.5M in revenues, another organization, most likely a national chain, will pick up those revenues. This results a leakage in income that traditionally would remain in Oregon to outside the state in franchise fees/executive salaries and even supplies/services that used to be purchased locally to outside of the State. Oregon already has an issue of nationally owned organizations dominating revenues with some businesses that were once traditionally owned by local members of the community. Particularly in a state that has no sales tax and relies mostly on income tax, having less locally owned businesses provides significant leakage of tax dollars that go to outside the State of Oregon. Providing this exemption would mostly benefit small business owners and help retain the economic cycle of activity that remains in the State of Oregon.