



Senate Finance & Revenue Committee

February 12, 2024

Testimony in Opposition to SB 1542

Chair Meek, Vice-Chair Boquist, and Members of the Committee,

My name is Daniel Hauser, Deputy Director for the Oregon Center for Public Policy, and I respectfully submit this testimony in opposition of SB 1542 on behalf of the Center.

The Oregon Center for Public Policy is a nonpartisan think tank dedicated to improving the economic outcomes for all Oregonians, particularly low-income families and Oregonians of color, through research and analysis.

Senate Bill 1542 would undermine the future of Oregon's children by cutting hundreds of millions of dollars in funding for our schools and early childhood education. One revenue estimate from the 2023 legislative session put the price tag of bumping the Corporate Activity Tax threshold up to \$5 million at \$268 million in the 2024 tax year. The exemption of public medical insurance was estimated to cost about \$35 million. It's clear from budget negotiations at school districts across the state that we need more money in our schools, not less.

Raising the exemption threshold to \$5 million may sound like it's carefully targeted at small businesses, but the biggest beneficiaries of the tax cut will be businesses with \$5 million or more. A business with \$5 million in taxable activity would go from paying, at most, \$22,800 in CAT payments if they had no subtraction for labor or goods sold, to paying \$0 because SB 1542 would raise the exemption to \$5 million. That is a similar benefit to what a business with \$500 million in Oregon receipts would earn because they'd receive an identical exemption increase.

On the other hand, a business with \$1.5 million in taxable receipts would save \$2,850 under similar assumptions. This is why the proposal is so expensive – it helps all CAT filers, not just those making under \$5 million, and delivers the largest benefit to larger businesses.

Our mission is to achieve economic justice for all Oregonians through research, analysis, and advocacy.

6420 S Macadam, Suite 200 ■ Portland, OR 97239-0127 ■ 971-279-4732 ■ OCPP.org



A small bump in the exemption amount, paid for with a higher tax rate, would be one revenue neutral way of reducing taxes for businesses right at the edge of owing the CAT without undermining investment in Oregon’s children. For example, a rate of 0.62 percent for receipts over \$10 million — up from the current rate of 0.57 percent — would likely be enough to pay for an exemption threshold of \$1.5 million based on estimates from the Legislative Revenue Office in 2023.

We urge you to oppose SB 1542.

