



## **SB 1542 Increases CAT exemption to \$5 million**

Senate Committee on Finance and Revenue – John Calhoun – 2.12.2024

My name is John Calhoun and I am representing Tax Fairness Oregon, a network of volunteers who advocate for a rational and equitable tax code.

This bill asks that you change the CAT exemption level from \$1 to \$5 million and thereby exempt many businesses from the tax as well as reduce the payments of bigger companies. It has no “pay for.” **Our testimony has and will be consistent: if you create or increase exemptions to this tax, you must restore the revenue. Either raise the rate above the current .57% or reduce the 35% exemption for the cost of products or payroll. The current reality is that most businesses are paying around .43% on each dollar of sales above \$1,000,000. That’s less than ½ cent per dollar of sales.**

Proponents of reducing CAT revenue claim that CAT receipts have grown above the target of \$1 billion per year. However, the original LRO forecast assumed that CAT income would grow with both population and inflation, just as do the costs of educating our children. In fact, **CAT revenues have grown less than the estimate made when the legislation was passed into law and the most recent revenue forecast will be \$249 million below that first estimate for the current biennium.**

Portland Public Schools and the Salem-Keizer school district labor negotiations have highlighted the current financial distress in Oregon public schools. Now is not the time to cut school funding. Passage of SB 1542 without an amendment to pay for the increase in exemptions would be very damaging.

We understand that there are elements of the CAT that merit discussion for change. That is why we supported SB 140-3 last year that increased exemptions overall as well as targeted an exemption for low margin health payments to medical providers. However, the -3 amendment did offset these exemptions by increasing the CAT rate on other businesses to maintain school funding. If the proponents of SB 1542 had re-submitted SB 140-3 we would have supported it.

Testimony that we have high income taxes overlooks that Oregon has no sales tax. Various publications put Oregon squarely in the middle of states for our overall tax burden. The complaints about how the CAT burdens our farmers and will force the closure of businesses falls flat when compared to our neighboring state. Washington businesses pay an average sales tax of 9% on equipment and supplies plus they also have a gross receipts tax similar to our CAT. Somehow, they manage to stay in business.

Unless you amend SB 1542 to pay for it by increasing the tax on the remaining taxpayers, we urge a no vote.

***We read the bills and follow the money***