



Date: February 21, 2024

To: Chair and members of the Senate Finance and Revenue Committee
From: Scott Bruun, VP Government Affairs, OBI
RE: Support for SB 1526 / Omnibus tax provisions / SALT-PTE Workaround

Good afternoon, Chair Meek and members of the Committee. Thank you for the opportunity to testify again in support of SB 1526.

My name is Scott Bruun, and I am the VP of Government Affairs for Oregon Business & Industry, or "OBI." OBI is a statewide business association representing businesses from a wide variety of industries from each of Oregon's 36 counties. In addition to being the statewide chamber of commerce, OBI is the state affiliate for the National Association of Manufacturers and the National Retail Federation. Our 1,600+ member companies, more than 80% of which are small businesses, employ more than 250,000 Oregonians. OBI's primary mission is to strengthen the business climate in Oregon.

As we have noted before in public hearing on SB 1526, OBI is supportive broadly speaking of the provisions outlined in the base bill, including Section 9's addition of trusts to the entities which can utilize the state's elective PTE/SALT cap workaround tool. We are also very supportive of extending the sunset date and adding necessary pro-industry, pro-worker provisions to the state's Regionally Significant Industrial Site program, which looks like it will be accomplished in subsequent amendments.

I want to flag something today, however, which OBI has been advocating for some time but which is now absent from current amendments. The issue is the need to modify the current PTE/SALT cap workaround tool to allow greater flexibility and wider use.

We of course were disappointed to see this issue dropped from the proposed amendments, but I flag this now not as a complaint, necessarily, but as a reminder and hopefully an encouragement to put this into subsequent amendments for this bill this session.

The issue is that Oregon's Business Activity Income Tax program, which is more commonly understood as the PTE/SALT cap workaround tool, is inflexible and uncompetitive. Many states put in workaround laws following the 2017 federal Tax Cuts and Jobs Act, which limited the federal deductibility of state and local taxes. The federal government did that as one of the "pay fors" to help offset the perceived costs by some of the Act's tax reductions.

States that enacted workaround programs, and I believe 35 or 36 have, did so to protect taxpayers within their respective states and to assure that their partnership pass-through entity

businesses could maintain their competitive positions. However, these tools are ineffective, or at least not as effective, if they are inflexible.

This is the problem with Oregon's workaround tool. Now in Oregon, with a PTE, all partners have to agree to use the workaround tool or none can use it. Whether it's a 2 person partnership, or a 200 person partnership, every partner must agree. This is a problem we would like to fix, because there are legitimate tax reasons why partners in the same partnership may choose different paths.

I'll just close by saying that being so restrictive makes us less competitive compared to other states. Even California allows partners to choose independently. And I would argue that we certainly don't want to be less competitive than California in the area of business taxation, especially when a fix is so easy.

Thank you Mr. Chair, Committee.

Thank you.

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