
Testimony in Support of HB 2110: State & Local Tax Uniformity

Chair Nathanson, Vice-Chairs Reschke and Walters, and Members of the Committee:

Thank you for the opportunity to submit this testimony in support of HB 2110, requiring local jurisdictions imposing an income tax to conform their definitions and rules with the state personal and corporate income tax. Since this legislation is a reintroduction of a measure from 2023, I would like to acknowledge my testimony [previously submitted](#) to the House Revenue Committee.

While I know that time is short today, I want to make three points about the bill.

First, the bill comes from a group of advocates, practitioners, and lawyers who have been working for more than five years to resolve the lack of uniformity between state and local income taxes. I have personally participated in task forces and workgroups trying to resolve this issue through local action. The local jurisdictions resisted these efforts for years, only acting once we offered proposals that ultimately raised local revenues.

Second, the bill does not eliminate a local jurisdiction's authority to impose an income tax, but rather, specifies a tax must operate in the same manner as the state's income tax. Oregon imposes a personal and corporate income tax, creating a bright line difference between entity types. In Portland, however, the local taxes function as a personal and business income tax. For owners of pass-through businesses, like s-corporations and partnerships, their business income is reported as income for both taxes. To remedy this difference with the state income tax, the local jurisdictions allow taxpayers to deduct the amount reported as "previously taxed (business) income."¹ While the deduction recognizes structural double taxation, it does not fully resolve it.

And finally, although the testimony today largely pertains to the Portland area income taxes, the issue extends much further than just the metropolitan area. The League of Oregon Cities' "Oregon Local Revenue Tools Guidebook" seems to indicate income taxes as a viable source of new funding for struggling local governments. The state plays the role of referee for property, lodging, gas, and most other sources of local funding, setting guardrails for how taxes apply in the real world. Income taxes are the exception but are among the most complex funding sources. If other governments follow Portland's lead, residents and businesses would find themselves navigating an untenable patchwork of tax regulations.

If there are concerns from the local governments about this measure's approach, I would welcome them to sit down with us and find an alternative uniformity solution.

Thank you for the opportunity to provide these comments. I look forward to your questions.

¹ ["Deduction for Previously Taxed Income Received from a Pass-Through Entity,"](#) City of Portland Revenue Division