



Date: February 4, 2025

To: Chair and Members of House Revenue Committee  
From: Scott Bruun, Oregon Bankers Association  
RE: Testimony on HB 2083 / Inflation Indexing Study

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Chair Nathanson and Members of the Committee,

My name is Scott Bruun, and I am the President and CEO of the Oregon Bankers Association and Community Banks of Oregon. Together, we represent the FDIC-insured banks and trust companies operating in Oregon. We also work and advocate to improve the larger business climate in Oregon because every business issue is also a banking issue.

Thank you for the opportunity to testify on **House Bill 2083**, which calls for a study on the simplest way to index state tax laws in Oregon for inflation.

#### **The Need for Inflation Indexing in Oregon**

Oregon has among the highest rates and the most burdensome personal and business tax structures in the nation; and in recent years, high inflation has further eroded the competitiveness of our tax system. Inflation has increased the effective tax burden on many businesses and individuals by pushing them into higher tax brackets and reducing the real value of deductions or credits.

Bracket creep and increased tax burdens are bad enough here at home, but these policies also put Oregon in a declining competitive position relative to states that have enacted inflation indexing. A quick example, because it's a big topic this session, are estate taxes. Washington's exemption is more than twice Oregon's and is also indexed for inflation. Simply put, it's better to die in Washington than Oregon, and the fact that Vancouver WA is Oregon's fastest growing suburb is testament to this.

#### **Benefits to Oregon Banks**

Oregon banks would directly benefit from indexing for inflation and would also benefit indirectly when their business customers enjoy the same. Currently, Oregon's high and un-indexed tax rates are a demonstrable competitive disadvantage for those Oregon businesses. This matters to Oregon's banks because banks can only be as successful as their customers.

But indexing also matters to banks for a very unique reason. Every bank in Oregon pays taxes, but a significant portion of the lending and financial institutions operating in Oregon do not. Banks in Oregon must operate and directly compete with credit unions who are exempt from Oregon taxation. This puts banks at an incredible competitive disadvantage related to the cost of capital and the cost of doing business. And because Oregon's tax laws are not indexed for inflation, the cost gap worsens every year. Indexing tax liabilities for inflation would not end this unfair competitive disadvantage for banks, but it would keep it from getting worse.

### **Oregon's Economic Competitiveness**

Madame Chair, members of the Committee, Oregon's banks and businesses face growing financial pressures due to rising costs of goods, wages, and taxes. A failure to adjust tax brackets, deductions, and credits for inflation effectively increases tax rates each year, making it harder for businesses to hire, grow and compete. Inflation indexing would most certainly enhance Oregon's economic competitiveness, making our state a more attractive location to start and maintain a business, and giving those businesses more confidence to invest and innovate.

We urge you to take steps toward making Oregon's tax system work better for all.

Thank you for your time and consideration, and I am happy to answer any questions.

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