



Feb. 24, 2025

TO: Members of the Senate Committee on Finance and Revenue

FR: Derek Sangston, Oregon Business & Industry

RE: Support for SB 125 and SB 382

Chair Meek, Vice-Chair McLane, members of the Senate Committee on Finance and Revenue. For the record, I am Derek Sangston, policy director and counsel for Oregon Business & Industry (OBI).

OBI is a statewide association representing businesses from a wide variety of industries and from each of Oregon's 36 counties. Our 1,600 member companies, more than 80% of which are small businesses, employ more than 250,000 Oregonians. Oregon's private sector businesses help drive a healthy, prosperous economy for the benefit of everyone.

Thank you for the opportunity to testify in support for both SB 125 and SB 382. OBI strongly supports both bills because each addresses an issue with how the Corporate Activity Tax (CAT) is levied that negatively impacts medical care in Oregon, especially in its rural areas. By taxing gross receipts rather than business profits, the CAT has the effect of raising costs for businesses through a process known as tax pyramiding. This unfortunate fact is detrimental to businesses that operate on low margins or, the situation the bills up for consideration this morning would address, when businesses have little or no control over the amount they receive for the goods or services they provide.

By exempting reimbursements to medical and dental providers for Medicare and Medicaid services, SB 125 would provide needed relief to Oregon's independent and physician clinics who are struggling due to Medicare and Medicaid formulas that often only pay a portion of the actual costs incurred by providers. The challenge that places on medical clinics is much more serious in rural Oregon where a greater number of individuals rely on Medicaid or Medicare rather than commercial insurance. Without action, these clinics may need to restrict the number of government-insured patients physicians treat or decide to consolidate with other health systems.

SB 382 addresses a similar issue where the price paid by consumers of prescription drugs is determined by pharmacy benefit managers (PBM) or other third-party payers, not by pharmacies. As a result, while drug wholesalers and manufacturers can pass along the impact of the CAT to the pharmacy by increasing the cost of goods, the pharmacy is unable to pass along any of their own tax burden to the consumer.

When the Legislature passed the Student Success Act in 2019, it was known the CAT would have significant economic impacts on both businesses and consumers. In attempt to mitigate those impacts, the Legislature provided relief to both consumers and businesses for the sale of groceries

and housing construction. SB 125 and SB 382 would make similar changes to the CAT in effort to mitigate its negative economic impacts on the sale of medical goods and services.

I urge your support for both bills. Thank you for your consideration.

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