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March 3, 2025

To: The Senate Committee on Finance and Revenue  
From: Anthony K. Smith, National Federation of Independent Business  
Re: NFIB Written Testimony in Support of SB 381 & SB 490

**Chair Meek, Vice-chair McLane, and members of the Committee:**

On behalf of Oregon's small business members of the National Federation of Independent Business, I would like to express our support for SB 381 and SB 490, which would increase the corporate activity tax (CAT) exemption and filing threshold to \$5 million.

NFIB is the Voice of Small Business. We are a nonprofit, nonpartisan, member-driven organization that advocates on behalf of America's small and independent business owners – both in Washington, D.C. and in all 50 state capitals.

NFIB represents thousands of small businesses across the state in every industry sector, many being the smallest of small businesses, with about 90% of our members in Oregon having fewer than 25 employees and 70% having fewer than 10 employees. Together, our members provide jobs for tens of thousands of Oregonians.

When the Legislature passed the CAT in 2019, an overwhelming 91% of NFIB members in Oregon opposed it. It's no secret that small business owners have consistently and overwhelmingly expressed their frustration with the concept of a gross receipts tax, mostly because the very idea of **taxing a business on its gross sales, whether it makes a profit or not**, is objectionable to entrepreneurs who already bear the financial and legal risks of owning, operating, and trying to grow a small business.

In follow-up conversations I've had with our members, they've reported to me that in no way do they oppose the idea of targeted investments in public education to improve outcomes for Oregon's students, however, the CAT marked a significant shift in the way businesses are taxed in Oregon.

The most common scenario that occurs when a small business owner contacts NFIB about the CAT is when the owner, unfortunately, has had a bad year and didn't make a profit. That happens from time to time, and generally, business owners understand that they aren't always going to make money when they take on the risk of running their own business. But the shock of having to pay the CAT – **even when the business loses money** – that's very upsetting to many who find themselves in this situation.

The \$1 million threshold was originally sold as a small business exemption, but due to the pyramiding effects of a gross receipts tax, even the smallest of small businesses have seen substantial increases in costs. This has only been made worse by labor shortages, persistent inflation, and an increase in the overall tax burden on Oregon businesses in recent years.

Senate Bills 381 and 490 would set a new CAT exemption threshold of \$5 million. This would exempt about 15,000 businesses, which is approximately 70% of current CAT filers, but this group of taxpayers accounts for only about 6.5% of total CAT revenue. It should be noted that due to a higher exemption threshold for all taxpayers, the revenue impact would be more than 6.5% of the more than \$1 billion collected by the state each year, but when the CAT was enacted, we didn't have this data. Now we do – and we can make reasonable adjustments without undermining the ability of the tax to still raise considerable revenue.

NFIB respectfully asks for your support for Senate Bills 381 and 490.

Thank you for your time and consideration,



Anthony K. Smith  
NFIB Oregon State Director