March 24, 2025

TO: Members of the Joint Committee on Transportation

FR: Derek Sangston, Oregon Business & Industry

RE: Opposition to HB 2153

Co-Chairs Gorsek and McLain, Co-Vice Chairs Starr and Boshart Davis, members of the Joint Committee on Transportation. 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. 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. Oregon's private sector businesses help drive a healthy, prosperous economy for the benefit of everyone.

Thank you for the opportunity to testify in opposition to HB 2153. OBI opposes HB 2153 because it would unfairly target commercial aviation, would unnecessarily increase the tax burden on a biennial basis, and likely would not comply with federal law regarding the use of jet fuel tax revenue.

As drafted, HB 2153 would increase the current jet fuels tax rate from 3 cents per gallon to 6 cents per gallon. Since fuel is one of the highest costs for airlines and any increase in costs could be passed on to passengers or reduce the services airlines can offer to them, this massive tax increase would have significant economic impacts. Currently, commercial aviation represents $12.7 billion in annual economic activity with a payroll of $3.3 billion that supports 92,000 jobs. The drastic jet fuel tax increase proposed HB 2153 would likely negatively impact commercial aviation's economic contribution in Oregon.

In addition to doubling the jet fuel tax, HB 2153 would also set the rate to inflation going forward, which would mandate a biennial tax increase whether it is necessary or not. Oregon already taxes jet fuel higher than many of its competitors and HB 2153 would only make Oregon even more of an outlier. Many states that are characterized as "high-tax" states – like New York and New Jersey – impose jet fuels taxes of less than a penny per gallon while aviation hubs like Texas, Georgia, and North Carolina forego taxing jet fuel. The tax increase imposed by HB 2153 would only make Oregon less competitive for economic investment and commercial air service when compared to any of those states.

Finally, except for taxes that were imposed prior to December 30, 1987, federal law requires that revenue raised from state taxes on aviation fuel must be used for the capital or operating costs of an airport, an airport system or facilities that are substantially related to the air transportation of passengers or property, or for state aviation programs or noise mitigation purposes. By potentially allowing for these funds to be used for alternative uses, HB 2153 may conflict with federal law, which could threaten the state's compliance with the FAA.

For those reasons, I urge this committee to reject HB 2153. Thank you for your consideration.
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