

Submitter: Tom Busse
On Behalf Of:
Committee: Senate Committee On Finance and Revenue
Measure, Appointment or Topic: SB1507

For identification purposes, I am the Treasurer of the Libertarian party of Oregon. I differ from the party's official opposition position on this issue because I feel it would catalyze much needed comprehensive tax reform in the state. Surprisingly, Nick Stark of No Tax Oregon supports replacing the state's income tax with a sales tax, and 2016 Libertarian Candidate Gary Johnson supported replacing the federal income tax with a national sales tax.

Because I am an accountant with 30 years of experience in government and nonprofit budget, and because when I lived in California, I was somewhat of a sales tax expert, I want to use this neutral testimony to raise several issues unaddressed in the bill. Because these are issues needing to be hashed out instead of rammed through in a short session, I urge tabling the proposal until 2027's long session:

1. Local add on Transactions and Use Taxes.

If a statewide sales tax turns all retailers into tax collectors in the state, the infrastructure will exist to impose local transactions and use taxes. There are benefits to this as well as perils. Replacing the Tri-Met District and Lane County Transit District taxes with local add on sales taxes is a more efficient means to fund public transportation and it allows for system expansion through temporary sales tax increases. Both Los Angeles and Seattle have successfully passed programs - in Los Angeles County's case with a 67% vote.

2. Supermajority for Special Taxes

If local add on taxes are allowed, it is important to require a supermajority or double majority if these are for special funds such as Transit, Parks, Health, Homeless, Preschool, etc. California had such a supermajority requirement in place since 1878 but a supreme court decision removed it in 2016. This opened the floodgates for special interest taxes to get passed, often crowding out more urgent needs.

3. Don't use the Sales Tax for special purposes

To get this passed, this bill proposes funds. NO. That's bad government. If we reduce general income taxes for the general fund we should raise sales taxes for the general fund. As written, this bill will not permit the income tax reductions required to offset the new sales tax.

4. Sales taxes on leased equipment.

This varies by state, but this bill is silent on the issue.

5. Sales tax on digital sales

As more consumption turns to digitally delivered goods, sales taxes revenue tends to go down over time. Texas has a Digital Services Sales tax - a tax on things such as SAAS, Streaming services, digital downloads, etc. Given the tech sector in Oregon, legislators will need to consider the economic impact.

6. You cannot have a CAT and a Sales tax simultaneously

It's got to be one or the other. I can only imagine this bill working out without turning Oregon into an economic trainwreck without repealing the CAT.

7. Cap

I would want to see a constitutional cap on the Sales tax - and localities levying a local sales tax also will need a cap. In Los Angeles, most cities have started to exceed the cap of 10% requiring special state legislation - but many of the local special taxes are inefficient.

8. Prebate vs EITC

I would prebate everyone's sales tax on their state income tax to adjust for the Sales Tax's regressive effects - essentially a refundable tax credit that doesn't have to follow the EITC's more restrictive requirements such as disallowing it if you were convicted of a crime.