



MEASURE: HB 2413  
EXHIBIT: 2  
HOUSE REVENUE COMMITTEE  
DATE: 3/15/2011 PAGES: 1  
SUBMITTED BY: JODY WISER

## **HB 2413, 2539, 3447 and 3217: Rethinking the Corporate Minimum**

House Revenue testimony for Jody Wiser 3.15.2011

These bills address concerns with Oregon's new gross receipts corporate minimum. Businesses with low profit margins are usually identified as who is treated inequitably by the gross receipts minimum. However, these businesses are mostly businesses operating in competition with other businesses selling in the same local market. Thus competitors all face the same tax burden, whether grocery stores or gas stations. It doesn't appear that this is untenable; neither gas stations nor grocery stores seem to be closing in droves in response to the change.

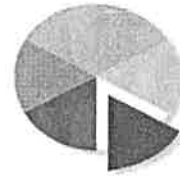
HB 2413 mirrors what was once the basis for corporate taxation in Oregon, the three factors of Oregon sales, property and payroll. We commend the idea, assuming that the plan is to make the bill revenue neutral. We do question Section 3, which limits the use of tax credits. We believe that every business should have skin in the game, since they certainly rely upon our state's courts, laws, public safety protection, and physical infrastructure. But allowing only 10% in tax credits might be a bit harsh. It would certainly complicate business decisions made on the basis of anticipated tax credits.

HB 2539 is much like the concept we supported in 2009, and we still believe this would be excellent policy. Under the value added tax, each business would pay a tax only on their contributed portion – the value they add – to a product's final sales price, with each stage getting equal treatment. This concept allows for fair treatment of competitors. Whether a product is produced by a large fully integrated company or by a series of smaller companies each adding their own elements, the level of taxation on the end product should be the same.

Either of these bills would mean that those businesses that benefitted in the change to single sales factor would return to real participation in our corporate tax system, as would those businesses that conveniently never seem to make a taxable profit, though they stay in operation year after year.

We find HB 3447 and 3217 unacceptable. Despite the claim that we shouldn't tax unprofitable businesses, the fact of the matter is, phone companies charge for usage whether a business is profitable or not, as do landlords and suppliers. Oregon supplies everything from an educated workforce to customers. These contributions must be paid for and minimums of \$150 or \$500 do not cut it.

Whether we use current law, HB 2413, or HB 2539, it means that while the majority of corporate tax collections will continue to be based on single sales factor, no business would escape helping pay the costs of the services upon which they rely.



**TAX  
FAIRNES  
OREGON**

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MEASURE: HB 3217  
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