

February 28, 2011

TO: Senate Finance and Revenue Committee
RE: Opposition to SB 311 – Business Activity Tax



Chair Burdick and Members of the Committee:

I am Bob Foster, a principal owner of Rhodes-Warden Insurance and a member of the Professional Insurance Agents of Oregon and Idaho (PIA). Rhodes-Warden is a C corporation. PIA's members are independent insurance agencies who sell for more than one insurance company, and the agency owns the right to the policy renewals. PIA is a statewide association, and there is an independent insurance agency in many communities throughout the state of Oregon. Our members care about the consumer, and we believe that the independent agency system model serves the consumer well.

We are concerned about SB 311, which bases corporate minimum tax levied on C corporations on level of business activity in state. We are not opposed to taxes – everyone should pay their fair share, and we want to support our state. However, to us this particular type of tax raises many questions and concerns. Many of our members are C corporations and most are small businesses.

1. If we understand this issue correctly, a business activity tax is levied on the volume of receipts, without regard for profit or the capacity to pay. High volume, lower profit industries will suffer inequitably. Our commission levels have steadily decreased, and this recession has been brutal to many independent insurance agencies.
2. Most business people can adjust their process to accommodate a new tax, especially if the tax affects the whole industry. Insurance producers (agents) do not set the price of their product and cannot pass along the burden to consumers.
3. This type of tax will cause inequity among different types of insurance agencies. It especially will negatively affect independent insurance agents, who will have to pay the tax, as opposed to most "direct writers" (insurance agents who do not own their business), who don't pay because they are classified as employees – even though they provide the exact same service. This will also create inequities in terms of types of lines of insurance sold, as many life insurance producers are classified as employees. It is very possible that the tax burden will fall on a small number of agents among the many who are licensed in Oregon. This is not fair.
4. The same insurance product is taxed more than once, beginning with the insurance company, and continuing with commissions to producer and any sub agents who might be involved in the same transaction. Will contingencies paid by insurers to their agents also subject to the business activity tax?

Most importantly, we also need to ask for clarification that the taxes which insurance agencies would pay under SB 311 would be on the commission and not on the total dollar amount of the policy.

Thank you for taking our unique situation as independent insurance agencies into consideration. We are concerned that SB 311 would place independent insurance agencies on uneven ground with other businesses – and with the competition in our own industry.

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