



Oregon

Senate Finance & Revenue Committee
Chair: Senator Ginny Burdick
Date: Wednesday, March 23, 2011
Time: 1:00 PM Room: HR A

Regarding: SB 824, SB 8 , SB 336, SB 625, SB 714, SB 715, SB 883

Testimony:
Jan Meekoms
Oregon State Director
National Federation Independent Business (NFIB/OR)

I wish to address one particular element of the Capital Gains Tax issue as it affects our small business members.

According to the SBA Oregon has over 300,000 small businesses. About one in 10 adult Americans (18-64 years) are currently taking active steps to create a business.(1) Virtually all are doing so because they want to. They are America's entrepreneurs. They are the economic engine of this country and our state. They are the innovators, risk takers and most importantly the job providers, providing over 57% of Oregon's private sector employment.

For our small business members the issue of Capital Gains Tax is a big issue. For most do not invest in the stock market, they do not have pension plans, 401 K's or even IRA's. What they do have is their business. THAT is their primary investment portfolio. They invest back in their business to maintain it, grow it and provide jobs. What is the "carrot" that drives them to take significant personal and economic risks, work hard and reinvest in their enterprise? It is the hope and the dream that they can provide for themselves, their family and their employees along the way to a secure future upon retirement. That when the time comes - 25 or 30 years down the road - they will have a valuable asset to sell that will provide for a comfortable, financially stable end game.

After paying taxes at all levels throughout ones business life, then to be faced with high capital gains tax because of doing business and providing jobs in Oregon, is punitive. As you are well aware, Oregon has one of the highest personal and corporate tax rates in the country and also has the highest capital gains tax rates - a triple tax "whammy".

We believe Oregon's Capital Gains Tax needs a significant reduction. A reduced Capital Gains tax will add enticement and incentive to doing business in Oregon and support those that are already here contributing to our economy.

It is important that Capital Gains treatment is simple – a simple rate reduction. Reinvestment may not work when one is retiring and the optimum solution is not to reinvest. A simple Capital Gains reduced rate is the best legislative formula what we are advocating on behalf of our 7,000 Oregon members.

(1) *(Source: Neils Bosma and Rebecca Harding, Global Entrepreneurship Monitor, 2006, Babson College, 2006.)*

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