

John Calhoun Testimony on HB 2456

Chair Barnhart and members of the committee,

My name is John Calhoun an entrepreneur and investor. I am currently CEO of InsideValuation Partners and I'm also the co-chair of the Equity Alliance of Oregon, which is a group of business owners and business leaders who believe that Oregon's ongoing prosperity is tied directly to the strength of the middle class and providing real economic opportunities for all Oregonians.

As business leaders, we know that nothing is more important to the state's economic health (and the success of every business and family who lives here) than a quality education system, from pre-K through university. And yet, right now, the state of Oregon is doing a pretty poor job of fostering that education system. Our K-12 classrooms are unacceptably overcrowded. We have one of the shortest school years. State funding of colleges is dwindling, and tuitions are skyrocketing. On many campuses, it's a struggle just to keep the lights on, let alone provide a quality education for our next generation of leaders.

Oregon needs to do much, much more to invest in our schools. In particular, we believe that Oregon could do much more to make sure that the largest corporations are contributing to our state's priorities. HB 2456 is a good step in the right direction.

Right now, Oregon is tied for the lowest state and local business tax burden in the entire country. We've spent many years in the bottom five of this list, and now we're at the very bottom. This is from a report by the Council on State Taxation, conducted by Ernst & Young.

We want to give you some perspective about just how low corporate taxes are in Oregon. To just get to the national average business tax burden, we'd need to raise state and local business taxes by \$2.5 billion. That would be a 43% increase. If we wanted to match Washington's business tax burden so that we're even with our closest economic neighbors, we'd need to raise state and local business taxes by \$3.4 billion—a 57% increase.

HB 2456 offers a far more modest proposal. By lifting the corporate minimum cap on corporations with more than \$100 million in gross revenue, we can generate around \$50 million for our schools and priority services.

Not only will that free up needed money, it will also correct a deep flaw in our corporate minimum tax. Right now, the cap on the corporate minimum tax means that the very largest corporations doing business here get a tax break that isn't available to smaller businesses. It's specifically designed to benefit the biggest corporations at the expense of small businesses. That's unfair and needs to be fixed.

We believe that legislators can and should go much farther with regard to corporate taxes, specifically on C-corps. Here are a couple of ideas:

Increase the minimum tax on C-corp sales from 0.1% to 0.4% which is closer to Washington's Business & Occupation tax rate. This would generate hundreds of millions of dollars—if not more—for our schools and infrastructure, and no one could claim that we're worse than Washington.

Another idea is to restructure our C-corp tax rates to mirror personal income tax rates. There's no reason why C-corps should have a dramatically lower tax rate (6.6%) than individuals or most small businesses. The way our tax system is currently designed, the largest corporations enjoy a lower tax rate, and small businesses have to shoulder more of the burden. Adjusting the C-corp rate to mirror the personal income tax rates would be fairer and it would raise approximately \$365 million.

Additionally, I'd also like to add that we're fully in support of the provision in HB 2456 that's designed to recoup tax dollars hidden in offshore tax shelters. Oregon should play no part in abetting deadbeats who are trying to avoid payment of legitimate taxes.

In closing, I'd to reiterate that the business leaders of the Equity Alliance appreciate the work you've done so far to close tax loopholes, and we'd strongly urge you to consider much bigger proposals that will fund our schools and make the tax system fairer for everyone.