

To: Senate Finance and Revenue Committee

From: Main Street Alliance of Oregon Small Businesses

Date: June 20, 2013

Re: Letter in Opposition of Senator Larry George's "Small Business Tax Cut"

Chair Ginny Burdick and Members of the Senate Finance and Revenue Committee,

Main Street Alliance of Oregon, a coalition of more than 1200 small businesses across Oregon, opposes Senator George's "Small Business Tax Cut."

While we understand and applaud the attempt to help small business, as we are an essential part of our communities and economy, this proposal will not help Oregon Main Street businesses. Granting preferential tax treatment for those reporting "business income" is an erroneous idea, and one that could actually hurt small businesses across our state.

As reported in the Oregon Center for Public Policy's "[The Misguided 'Small Business Tax Cut'](#)," neither of the two arguments for cutting taxes on income derived from owning a business, spurring job creation or improving affordability of capital, hold up when examined closely. Senator George's proposal would give the largest tax breaks to the largest companies, and actually if there were a 6.6% flat tax rate for all businesses, many Main Street businesses would see a tax *increase*.

Even still, of those businesses that would see a decrease in their taxes, only the top 5% would have a savings of over \$370. The wealthiest 1%, the biggest companies, would fair best, seeing an average savings of \$7,648 - this is still not nearly enough to hire a new employee, so even those with the largest tax cuts, wouldn't be able to use this to create more jobs.

Furthermore, out of 369 Oregon small business owners we surveyed over the last year, when asked "what do you believe small businesses need most to create jobs and help get the economy back on track?" over half responded with "more customers." Only 16% responded with "lower taxes," and of those, some would actually see an increase in their tax liability under Senator George's proposal.

We also asked "would you support or oppose closing corporate tax loopholes to increase revenues before making further budget cuts?" An overwhelming majority, 81% said they would like to see corporate tax loopholes closed - this proposal does the opposite, giving more tax breaks to the wealthiest individuals and businesses.

Under this proposal, the owners of an S Corp could be taxed at a lower marginal rate than their employees. This is just like the federal private equity loophole where hedge fund managers get paid at the capital gains rate rather than the top personal income rate. As Main Street small business owners, we feel that we need to be closing these loopholes, not adding more.

What Oregon and Oregon Main Street businesses need are policies that will allow for better access to capital for small businesses, and that will keep more money in the pockets of those who really need it. When we take care of our communities, our communities take care of us. This “Small Business Tax Cut” is really just a way to give another hefty tax cut to the wealthiest Oregonians, widening the gap between the super rich and the rest of us.

Main Street Alliance of Oregon urges you to oppose Senator George’s proposal. If we’re really trying to help Oregon small businesses, let’s write and adopt policies that will get more customers in our stores and keep more money in our local communities.

Thank you for your consideration of this matter.

Yours respectfully,

A handwritten signature in black ink that reads "Jim Houser". The signature is fluid and cursive, with a large loop at the end of the word "Houser".

Jim Houser, Co-Chair
Hawthorne Auto Clinic, Portland

A handwritten signature in blue ink that reads "Mark S. Kellenbeck". The signature is cursive and includes a middle initial "S.". There is a small blue dot to the left of the first letter "M".

Mark Kellenbeck, Co-Chair
BrainJoy LLC, Medford