



HB 2151 Why consider this new tax break for thriving businesses?

Testimony for House Economic Development – Jody Wisner – 2.22.2017

Tax Fairness Oregon believes in fair taxes, but we don't believe that "fairness" should extend to adding cannabis and alcoholic beverages to the long list of property tax exemptions already provided to processors of fruits, vegetables, nuts, legumes, grains, bakery and dairy products, egg, and seafood.

We have opposed those tax exemptions in the past because we believe they were not justified in terms of either social or economic benefit. No evidence has come forward to show Oregon taxpayers that these manufacturers were, or now are, suffering dire hardship. These tax exemptions are, simply put, giving away public funds to businesses, small and large, which are currently thriving in this economy.

What IS suffering is public education and transportation and social services.

How can you even contemplate raiding the General Fund for support of producing cannabis and alcoholic beverages when the level of school funding is at a crisis level? Please say No to these outrageous demands, and tell all your special interest claimants that your first responsibility as a legislator is to meet the State's most basic needs.

Until the 90's, nearly all equipment used by businesses was considered assets included in businesses' property taxes. Except for a few items¹, all equipment it was taxed as "business personal property" be it office. machine shop, farm, high tech, or food processing. The basic law is still in place, and the exception amount, which is indexed to inflation, is currently \$16,500. The Tax Expenditure Report puts the cost of the business personal property exemption at \$9 million this coming biennium. However, the spirit of this property tax law has been deeply undermined.

¹ Before then, Oregon exempted the following equipment from property tax:

- Crab pots – 1969 \$300k
- Mobile field incinerators – 1971, followed by farm machinery and equipment, including field burning smoke management, egg, and center pivot irrigation equipment –1973 -- \$82 m
- Alternative energy systems – 1975 -- \$1 m

It is logical that business personal property assets be taxed as property; these assets do receive fire and police protection. Criminals are taken to our courts and our jails. Protection of private property is a key role of government in a civil society, and one that must be paid for.

But starting in the 90's began a parade of exceptions:

- High tech at Intel – 1993 with the initiation of the Strategic Investment Program \$447 m
- Environmentally sensitive logging equipment – 1993 & Skyline & swing yarders 1999 --\$6 m
- Food processing equipment -- \$6 m
- Certain Property Owned by a Port used by private parties – 2013 -- \$1 m
- Solar Projects - industrial scale – 2015 – dollars not yet known
- New Industrial Property in Rural Areas – 2016 – dollars not yet known

Today you have a new ask. But what is the point? These businesses are thriving. The industries have grown while paying taxes on their equipment – and with the public protections that government offers. Why would we spend money by exempting these businesses from taxation when the money might otherwise be spent protecting foster children or reducing college tuition?