



May 10, 2017

Chair Hass and Members of the Senate Committee on Finance and Revenue  
Oregon State Capitol  
900 Court Street NE  
Salem, OR 97301

**SUBJECT: Amendment to SB 28 regarding Market-Based Sourcing**

Dear Senator Hass and Members of the Senate Committee on Finance and Revenue:

I am writing on behalf of the Technology Association of Oregon (TAO) to thank you for your work this session on legislation that attempts to reform Oregon's tax structure with an eye toward raising more revenue while minimizing the potential for economic harm to Oregon's innovation economy.

I am also writing to let members of the Committee know that the vast majority of TAO's tech company members support a shift in Oregon from Cost-of-Performance to Market-Based-Sourcing rules. A recent study by IHS Markit analyzing the impact of Oregon's tax system on Oregon's tech sector compared to the impact of tax systems in other Western states on their respective tech sectors recommended that Oregon adopt Market-Based-Sourcing rules so as to bring Oregon in line with these other states. According to IHS, this would improve Oregon's competitiveness in attracting and retaining tech talent and companies relative to other states with growing technology sectors, such as Arizona, Colorado, Texas, Utah, and Washington.

Some of our telecommunications company members would likely be impacted by the adoption of Market-Based-Sourcing rules in Oregon. These companies have been working on an amendment to SB 28 that would modify the sourcing rules for telecommunications companies so that they source Oregon sales using a 50/50 combination of Cost-of-Performance and Market-Based-Sourcing. Broadband access, Broadband speed and future 5G wireless investments require large capital expenditures on the part of telecommunications companies, and the proposed amendment would send a clear message that Oregon seeks to encourage the further development of this infrastructure that is critical to the state's innovation-based economy. We are also supportive of alternative language that has been proposed for this amendment, which recommends a taxpayer election for the telecommunications sector for a prescribed term.

Thank you for your time and consideration.



TECHNOLOGY  
ASSOCIATION  
OF OREGON

Sincerely,

A handwritten signature in black ink, appearing to read "Warren Newberry".

Warren "Skip" Newberry, TAO President