



**TECHNET**  
THE VOICE OF THE  
INNOVATION ECONOMY

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**TechNet Testimony on OR SB 28  
House Committee on Revenue  
Thursday, June 8, 2017**

Good afternoon chair Barnhart and members of the committee. Joanie Deutsch, Executive Director for the Northwest for TechNet.

TechNet represents over 70 of the nation's leading companies in the fields of high tech manufacturing, computer networking, information technology, clean energy, life sciences, internet media, ecommerce, and the sharing economy sectors. Our members include breakthrough startups and the most storied, life changing technology companies on the planet. We as an industry keep America's innovation economy growing and creating more good paying jobs.

I'm in strong support of SB 28, which moves tax apportionment to a market-based sourcing rather than a cost-of-performance sourcing method.

Cost-of-performance sourcing results in service revenues being sourced to the jurisdiction where the work that produces the revenue is performed. Therefore the current cost-of-performance sourcing puts added pressure on in-state companies, particularly those headquartered in-state and those with significant in-state investments – whereas a single-sales factor apportionment formula generally coincides with use of market-based sourcing so as to maintain a corporate tax base.

In fact, 21 states and the District of Columbia have adopted a market-based sourcing regime for sourcing services receipts for state corporate income tax apportionment purposes.

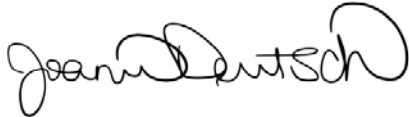
In today's high-tech economy it can be difficult to determine where work is performed when the underlying services are performed by personnel and servers located in multiple states. A market-based sourcing methodology reduces complexity by requiring a taxpayer to source service receipts to the location of the customer or where the "benefit" of the service is received.

Additionally, by focusing on imposing Oregon's corporate income/excise tax based on a company's market in state rather than focusing on the costs related to performing services in state, Oregon no longer punishes companies for locating in state or for making substantial investments in state.

In closing, TechNet supports tax policies that promote and foster an economic climate that benefits investment and innovation that, in turn, allows companies to compete, thrive, and expand across the country and here in Oregon. A market-

based sourcing method reduces complexity and encourages business growth and investment.

Thank you,

A handwritten signature in black ink, appearing to read "Joan Deutsch". The signature is fluid and cursive, with a large initial "J" and "D".

Executive Director, Northwest  
TechNet