

## Statement in favor of HB 2830 by John Calhoun

Co-Chair Hass, Co-chair Barnhart, Members of the Committee, my name is John Calhoun and I am a resident of Portland.

As several of you know I retired last year after a 45-year career in business. **I spent close to 20 years in financial management at Intel and 25 years as an entrepreneur, CFO, and investor. Based upon that experience I am speaking in support of HB 2830** in order to reform our corporate tax structure. I will not spend time discussing the need for the funds as we all know our schools and critical services are in dire need and many others will discuss this today.

Instead I want to say why **I think this is a well-crafted proposal.**

We all know that the corporate income tax has been decreasing as a share of our total revenue over time with the result that we now have the lowest business taxes in the country and individuals must bear the burden of financing the state. A good part of the corporate revenue decrease comes from the growing ability of corporations to utilize the tax code to re-allocate revenue to low or no income tax locations both here and abroad. **As long as the tax is based upon income, large corporations will continue to find a way to avoid paying taxes in Oregon under our current structure. I know because while I was at Intel I helped justify huge profits in our Asian tax haven.**

The Corporate Activities Tax that you have proposed solves that problem. It has been criticized by corporations hoping to keep their tax benefits as just a sales tax that will be passed on to consumers. We all know that this is a dishonest claim on their part since the business community has always proposed a sales tax as a way of reducing income and property taxes.

I was involved in corporate pricing decisions and profit management during my business career. **In no company I was involved with from manufacturing to software to services did we ever make a pricing decision based upon state or local taxes. Prices are set nationally.** In big companies, tax policies and product pricing are not connected. The **operating divisions are almost always measured on a pre-tax basis.** In small companies, prices are set by competition at the national level.

I realize however, that **certain businesses like grocery stores** operate on such slim margins and compete on such a local basis that they have no choice but to pass on any additional cost. The fact that you have proposed **such a small rate for these companies at close to the replacement rate for their income tax means that they will not have to pass on much if any costs to consumers.**

As someone who helped start or invest in many smaller companies I am pleased that you have proposed that the CAT start at \$3 million in Oregon sales. My last company had 65 employees and sales of around \$8 million. However, only about \$500,000 were in Oregon so the CAT would actually reduce the company's taxes. My point is that **this tax policy will benefit new**

**emerging companies and help level the field where they face large competitors that find ways to pay lower taxes than the smaller companies.**

To the extent that further analysis shows that some small portion of this tax is passed on to consumers, then I would personally recommend that some tax reduction be made for low income individuals.

Thank you.

John Calhoun