



HB 2830-2 Business Tax Reform Now

Tax Reform Committee – Jody Wisner – 6.13.2017

We have watched with great interest as you've worked to create a new business tax structure. We appreciate your extraordinary effort and thoughtful attention to the issue. And, we appreciate the opportunity to comment.

As Edie Rusch has pointed out, there are compelling reasons to move forward: at least 570,000 of them in our k-12 system, plus the youngsters in pre-k programs and the adults in higher ed. For these Oregonians, we implore action so that their lifetimes are enhanced beyond the improvements made since the recession. What we offer will remain mediocre without more revenue. In addition, just to maintain human services at their current level, we need additional revenue.

Because you have every reason to want to get the chance to do the CAT "right", we support the Bridge Plan. It provides time to clarify your intentions in law, and for the Department to write rules and test them. The Bridge Plan is built on the current infrastructure. It will therefore be easy to implement, and thus can easily provide the time needed.

We also note that between the provider tax, cost containment and this proposal, you will have surpassed the \$1.4 b gap, and can actually follow through on the goal to improve education and service budgets! Hurray!

On the CAT proposal we have three comments:

1. We are pleased to see that proposal now directs the Personal Income Tax reductions to the first \$25,000 of income for single filers and \$50,000 for joint filers. This still delivers no benefit to disabled vets, seniors living on social security and students. It only gives \$20 to a family living on a single minimum wage job and yet the greatest benefit is given to middle and higher income Oregonians. Given the time the Bridge proposal provides, this is an area that should be further refined.
2. There may be an error on pages 21 & 22 where it's not clear whether the pass-through discount is 50% or 25%.
3. We believe that the pass-through entities' discount is an effort to help small locally-owned and start-up businesses. But most technology companies are organized as c-corps even as they first start out, while some huge companies are now held by private equity firms, e.g. Albertsons/Safeway. Is that a pass-through entity? This construct might need further consideration. Perhaps a reduction in tax rates based on business age, size or gross receipts would work more successfully than one directed at pass-through entities.

We have two suggestions for life under the Bridge Plan.

1. **Improve the Corporate Minimum Tax.** As you can see on the chart, our current Corporate Minimum has brackets for receipts from \$0 to \$100 million and then is capped.

That means a business with 10 stores and sales of \$100 million pays the same amount as a business that is 10 times larger, with 100 stores and \$ 1 billion in receipts.

At the beginning of the chart, there is an increase in the tax for each million in receipts, or less, while the bracket grows to \$50 million wide between \$50 million and \$99 million.

We recommend instead that beginning at \$3 million in receipts, the rate is a simple .2 %.

2. **Improve current programs and services rather than start new ones.** There are numerous bills waiting in both Ways and Means and your Revenue Committees which initiate new programs or tax breaks. There are asks of W&M for spending to set up college savings plans for newborns, to set up the Oregon Agricultural Heritage Program, and to augment the budget of the wine board. In Finance or Revenue you have bills for adding tax breaks for seismic upgrades, for home ownership down payment savings accounts, and for interest on college debt. Of course you would be delighted to support innovative proposals like these, but until Oregon has a fundamentally fair and adequate revenue stream that can support its current programs, the legislature must not add to the state's responsibilities.

The Bridge Plan with the CAT to follow is artfully crafted to meet our most pressing, immediate needs. You can improve it by adjusting the rates on the corporate minimum tax and make it work by resisting the urge to spend more on worthy programs that we can't yet afford.

You will find separately a chart showing how our proposed corporate minimum tax compares to Oregon's current corporate minimum tax amounts, the Bridge Plan amounts, and HB 2830 -1 amounts, while the chart below shows how the 8% and 9% rates compare to top income tax rates in other states.

We read the bills and follow the money

Highest Corporate Income Tax Rates --- If Oregon adopts the Bridge Plan:

STATE	TOP RATE	ON AMOUNTS OVER
• Iowa	12%	\$125,000
• Pennsylvania	9.99%	\$0
• Minnesota	9.84%	\$0
• Alaska	9.4%	\$222,000
• Washington DC	9.4%	\$0
• Connecticut	9%	\$0
• New Jersey	9%	\$100,000
• Oregon	9%	\$1,000,000
• Maine	8.93%	\$250,000
• California	8.84%	\$0
• Delaware	8.7%	\$0
• Vermont	8.5%	\$25,000
• Maryland	8.25%	\$0
• New Hampshire	8.2%	\$0
• Louisiana	8%	\$200,000
• Massachusetts	8%	\$0
• Oregon	8%	\$0

We read the bills and follow the money