

Northwest Food Processors Oppose CAT Proposal (HB 2830)

Established in 1914, Northwest Food Processors Association (NWFP) is an advocate for the interests of the food processing industry in Oregon, Washington and Idaho. Membership includes some of the foremost brand names in the food industry in the United States, key producers of private label and institutional products, and locally run family businesses. NWFP is the nation's largest regional food processing trade associations, with more than 500 member companies including 154 food processors and 357 suppliers. Food processing is the third largest manufacturing employment sector in Oregon.

Here is why NWFP opposes HB 2830 and its amendments

Food processing was one of the only industries in Oregon that actually added jobs during the economic downturn. Now, the Legislative Revenue Office projects that HB 2830 will do what even the Great Recession could not... break our industry's long record of employment gains in Oregon – because the CAT, as proposed in HB 2830, doesn't work for food companies.

NWFP members have a great depth of experience dealing with gross receipts taxes in Washington state. Like the Oregon proposal, Washington's base B&O rate for manufacturers is 0.48%. However, Washington has roughly 46 specialized tax classifications, 36 different tax rates that apply to those classifications and numerous specific exemptions within the classifications.

For example, Washington food processors pay a rate of 0.48%, except beef companies, flour millers and vegetable oil producers. They pay 0.138%. However, there is also a total exemption from taxation for processors of fresh fruits and vegetables, dairy and seafood. This exemption was the result of extensive work on the part of the Washington legislature to determine the impact of a CAT on the low margin, trade impacted nature of the food processing sector.

This simply highlights the complexity of implementing a gross receipts tax. It cannot be a "one size fits all" system. Particularly for those that are low margin or 'price takers' who can't adjust prices to account for added costs.

Additionally, NWFP represents numerous smaller companies that take advantage of the special small business pass through tax rate adopted in 2013. Elimination of that pass through rate would have a significant negative impact on our small and emerging companies, the very companies we need to grow the Oregon economy into the future.

HB 2830 has not been sufficiently vetted to account for the specialized needs of various industries such as food processing. It is unrealistic to expect that a CAT proposal can be fashioned in Oregon in just a few months that won't have adverse impacts on industries such as ours. We urge rejection of a CAT proposal at this time.

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