

## Oppose SB 1528B

### **SB 1528B unnecessarily raises revenue by over \$1 billion from Oregon small businesses over the next several state budget cycles**

LRO estimates that SB 1528B will raise revenue by over \$1 billion between now and the end of the 2021-23 biennium by taxing Oregon's local, homegrown small businesses – taxes that would not otherwise be imposed on them but for SB 1528B:

**Revenue Impact (in \$Millions):**

	Biennium		
	2017-19	2019-21	2021-23
Oregon addition of IRC 199A(a) deduction	\$258.4	\$404.7	\$455.4
Opportunity Grant Credit	-\$14.0	-\$28.0	-\$28.0
<b>Total General Fund</b>	<b>\$244.4</b>	<b>\$376.7</b>	<b>\$427.4</b>

However, the March Revenue Forecast now shows Oregon is projected to have a \$145 million ending balance for the 2017-19 budget, even after accounting for the recent changes in federal tax law:

ENDING BALANCE
• The projected ending balance is up \$145 million from the 2017 Close-of-Session estimate.
• The projected ending balance is up \$69.8 million (25.7%) from the December 2017 forecast.
• The Rainy Day Fund is projected to receive \$198.6 million following the 2017-19 biennium.

These figures only take into account current law – before any changes that the Oregon Legislature might make during the 2018 short session.

The Senate has already unanimously passed SB 1529A to capture the one-time repatriation revenue, as LRO explains (also due to federal tax reform):

**Revenue Impact (in \$Millions):**

	Biennium		
	2017-19	2019-21	2021-23
Repatriation Revenue	\$160	\$10	\$0
Tax Haven Tax Credit	-\$20	-\$5	0
Other Reconnect Provisions	Minimal	Minimal	Minimal
<b>General Fund Total</b>	<b>\$140</b>	<b>\$5</b>	<b>\$0</b>

**Impact Explanation:**

The revenue impact for the repatriation policy is the net impact from the addback. Without the statutory changes in this bill, corporate income tax collections are projected to be down \$100 million in 2017-19 due to the federal repatriation policy. With the statutory change, revenues are projected to be up by \$160 million instead. That means a change of \$260 million in the net position based on the current revenue forecast and the impacts from the federal law change.

The Bottom Line – There is no reason to “disconnect” from the new federal passthrough deduction since the overwhelming consensus is that federal tax reform will have a net positive impact on Oregon's general fund revenues – now even in the current biennium, considering the new projected ending balance and the likely passage of SB 1529A.

Don't stick Oregon's small and family owned businesses with an unnecessary \$1 billion tax bill: **Please vote 'NO' on SB 1528B**

Dear Senators:

As an Oregon small business owner, I am very concerned about Senate Bill 1528 and would respectfully ask you to vote NO on the bill.

If the Legislature is considering rolling back the significant tax savings that resulted from the new pass-through deduction part of the federal Tax Cuts and Jobs Act, I would urge the Legislature to first consider what small businesses like mine have been dealing with over the last several years.

My wife and I own and operate five retail stores throughout the State of Oregon. We employ 40 people, most of which are minimum wage employees. The margins are tight in our business. Many of the products we sell in our stores come pre-priced from the manufacturer – and even if we raised our prices, our customers would likely just go online and buy from the big, out-of-state corporate retailers.

Over the past two years we have worked to streamline our operation and tighten up the number of hours we use to run our business and still provide excellent customer service.

We now use about 1,050 hours of labor, every two weeks, to run our five stores. This increases during any Holiday time period, but 1,050 hours is always the bare minimum.

With the increases in minimum wage this last year and not being able to use fewer hours to run the stores we have seen a labor cost increase of \$24,340. When you add in sick pay, and the additional payroll taxes we have to pay the total comes to over \$28,000.

These top-down state mandates have had a very detrimental effect on our bottom line. Unfortunately, we had to close one of our stores last year.

We were very disappointed Tuesday when the Senate Finance & Revenue committee decided to send SB 1528 to the floor for a vote to disconnect from the new federal tax law that would provide very much needed help to us.

We are asking for your help in insuring the 20% deduction is allowed to take effect in Oregon so we can have some relief from the State continually increasing our cost of doing business.

Please vote NO on SB 1528. Thank you for your time,

Gary