



To: Joint Committee on Sole Proprietors

From: J.L. Wilson Oregon Business & Industry  
Anthony Smith NFIB/Oregon  
Laura Edmonds Oregon State Chamber of Commerce  
Katie Fast Oregonians for Food & Shelter  
Jonathan Sandau Oregon Farm Bureau  
Bill Perry Oregon Restaurant & Lodging Assoc.  
Paul Cosgrove Oregon Financial Services Assoc.  
Jana Jarvis Oregon Trucking Assoc.  
John Rakowitz Associated General Contractors  
Darrell Fuller Oregon PHCC, Northwest Auto Trades Assoc.  
Roger Beyer Oregon Seed Council  
Jodi Hack Oregon Home Builders Assoc.

Date: May 21, 2018

RE: HB 4301 - Neutral

Our organizations are neutral on HB 4301.

We agree that as many small businesses as possible, including sole proprietors, should benefit from Oregon's lower pass-through tax rates codified in 2013.

But our concerns include:

1. HB 4301 picks winners and losers among small businesses owned by a single owner. Unincorporated sole proprietors with employees receive the lower tax rates; incorporated sole owner LLCs do not. If a business owner takes on the responsibility of hiring employees, it is a good practice to incorporate and become an LLC. HB 4301 provides a tax incentive for small business owners not to incorporate, exposing those individuals to unnecessary personal liabilities.
2. The \$11 million in annual tax savings for the 12,000 sole proprietors in HB 4301 is but a small fraction of the \$200 million per year in future tax savings that the legislature took away from over 250,000 small businesses when it passed SB 1528. Repealing SB 1528 and restoring those tax savings for all pass-through small businesses is the right policy choice for small business.
3. We are concerned about the provisions of ORS 316.044 which require increases in the pass-through tax rates if the revenue impact to the state is more than originally projected. We don't believe HB 4301 has been factored into the original revenue projections, and therefore could trigger future tax rate increases on small businesses that utilize Oregon's lower pass-through tax rate structure.

Finally, while we are neutral at this time, our organizations will oppose HB 4301 if there are any revenue raising provisions amended into the bill.