



Date: August 7, 2020

To: Representative Nancy Nathanson, Chair, and
Members of the House Interim Committee on Revenue

From: Oregon Restaurant & Lodging Association

Subject: **Legislative Concept 2**

Chair Nathanson, Vice-Chairs Marsh and Reschke, and Members of the Committee:

The Oregon Restaurant & Lodging Association, representing thousands of Oregon restaurants, bars and lodging properties across the state, is strongly opposed to LC 2 – a legislative concept disconnecting Oregon from several key features of the bipartisan federal CARES Act.

Since the very beginning of the coronavirus crisis, Oregon's hospitality industry has been on the front lines of the economic, social and public health issues around this devastating pandemic. Restaurants, bars and lodging properties have consistently and reliably done their part to comply with constantly evolving executive orders and guidance documents issued by the Governor's office and state agencies. Many were required to close during the shutdown. Others, allowed to stay open, had to quickly innovate and adapt to continue serving their customers, while at the same time keeping their employees safe.

Today, with nine counties on the watch list and places like Umatilla County being moved back to a baseline phase, Oregon's hospitality industry is struggling just to survive. According to data from the National Restaurant Association, at least 10 percent of restaurants in Oregon will or have closed permanently to date with other studies putting the closure rate as high as 85 percent for independent restaurants. That means 4 out of 5 restaurants will close their doors permanently, never to re-open, if something is not done.

It is not enough to allow us to keep our doors open while at the same time limiting the number of customers we can serve or the hours we can operate. In addition to simply serving our guests, we are now being asked to comply with increasing state and local mandates, many of which require additional staffing or costs for materials to keep employees and guests safe.

And we are complying. Thousands of recent inspections by the Oregon Liquor Control Commission and Oregon OSHA have shown only 1 percent of establishments inspected were willfully not complying with state and local health and safety guidelines. 99 percent of those

inspected were following the rules in an effort to stay safe, stay open and continue to support and employ thousands of employees.

Actions like disconnecting Oregon from the federal tax code through LC 2 deliberately and willfully harm Oregon's restaurants, bars and lodging properties, making it that much harder to keep our doors open. Normally, Oregon automatically connects to the federal tax code. LC 2 would change that long-standing practice, making Oregon's hospitality businesses ineligible for the state tax relief that would otherwise flow their way because of the CARES Act tax relief provisions. LC 2 diverts much-needed cash from the pockets of struggling Oregon businesses to state coffers, making it harder for these employers to keep their doors open and put unemployed Oregonians back to work.

LC 2 would disconnect Oregon from three parts of the CARES Act: the business loss limitation provision, the net operating loss provision, and the business interest limitation provision.

Passed in a bipartisan congressional vote, the combined effect of these key features of the CARES Act allows for increased liquidity, so businesses can hold on to cash to cover payroll and other operating costs, and lowers the cost of financing debt in a time when most businesses are experiencing challenging cashflow issues.

Today, many Oregon restaurants, bars and lodging properties are operating in some form of limited capacity and some have closed forever. The impact to the state's economy has been devastating, including record unemployment and the subsequent loss of state tax revenue. Hundreds of thousands of Oregonians remain out of work, and many waited weeks or months for their unemployment benefits. Besides controlling the virus, we believe the state's primary focus must be on providing a safe path back to work for these Oregonians, a goal that became more critical last week when the federal weekly unemployment benefit ended.

Oregon's restaurants, bars and lodging properties respectfully ask you not move forward with LC 2. Thank you for your time and for your thoughtful consideration of our request.

Sincerely,



Greg Astley
Director of Government Affairs
Oregon Restaurant & Lodging Association

✓ cc: Senate Interim Committee on Finance and Revenue