August 7, 2020

TO: Chair Nancy Nathanson, Members of the House Interim Committee on Revenue
FROM: Oregon Business Coalition

RE: Legislative Concept 2

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

As a broad coalition of business associations, representing thousands of Oregon employers across the state, we write to you today to express our intense opposition to LC 2 – a legislative concept that would disconnect Oregon from several key features of the bipartisan federal CARES Act.

Since the very beginning of the coronavirus crisis, Oregon's businesses have done their part to comply with ever-evolving executive orders and guidance documents issued by the governor's office and state agencies. Many were required to close during the shutdown. Others were allowed to stay open but were required to adapt and innovate in order to continue serving their customers, while at the same time keeping their employees safe.

Today, most Oregon businesses 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.

In response to the coronavirus pandemic, the U.S. Congress recognized the financial hardships families and businesses are experiencing because of sudden job losses and business closures by passing the CARES Act with overwhelming bipartisan support. Among other provisions, the CARES Act authorized Economic Impact Payments (stimulus checks) for individuals and households and made significant reforms to the federal tax code to provide tax relief to businesses. Both policies sought to address core problems facing individuals and businesses throughout this crisis, reduced cashflow and liquidity.

Normally, Oregon automatically connects to the federal tax code. LC 2 would change that long-standing practice, making Oregon 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.

Unfortunately, thousands Oregon businesses in all corners of our state are expecting significant financial losses in 2020. The two CARES Act provisions relating to losses allow for the immediate monetization of business losses, rather than having to carry those losses forward to future tax years. It is important to keep in mind that the much-publicized Paycheck Protection Program has nearly reached its end. Even if Congress renews the program in some form, it is unlikely to be as robust as its predecessor, and these funds are primarily intended to be a short-term infusion of cash to keep employees on the payroll while the pandemic persists. Much of that money has been spent – and most businesses have other costs not eligible for PPP dollars. Many have borrowed from other sources in order to stay afloat until the economy recovers.

The third provision relating to business interest provides relief in this area. With so many businesses seeking financial assistance from SBA Economic Injury Disaster Loans and other forms of long-term financial assistance, this feature of the CARES Act allows businesses to deduct an increased amount of the interest they pay on their debts, freeing up precious dollars for other business expenses, like keeping Oregonians employed.

Passed in a bipartisan congressional vote, the combined effect of these key features of the CARES Act allow 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.

If LC 2 becomes law, the state would deny much-needed tax relief to thousands of Oregon businesses, totaling $225 million in the 2019-20 biennium and over $100 million for the 2021-22 biennium. This more than offsets the financial assistance to certain businesses provided by the Legislature's Joint Emergency Board in recent months. Because this proposal simply shifts tax payments from one biennium to another, by the 2023-24 biennium, this policy change would negatively impact the state budget. With the future of the economic recovery still largely unknown, this will only serve to exacerbate future state budget holes.

By passing LC 2, the state would be shortsightedly prioritizing its own immediate budget needs over the cashflow needs of Oregon businesses – and the jobs that those businesses provide to working Oregonians. These businesses have been asked to play a critical role in stopping the spread of COVID-19. Many were required to shutter their doors. More have seen a drastic drop in sales. Nearly every business is now required to enforce public health and safety mandates. All these factors have had significant financial impacts on Oregon's businesses. The last thing any of them need right now is a higher tax bill.

Our coalition respectfully asks that you not move forward with LC 2. Thank you for your time and for your thoughtful consideration of our request.

Sincerely,
The Oregon Business Coalition members listed below

OREGON BUSINESS & INDUSTRY OBI

AGC Oregon Columbia Chapter
ASSOCIATED GENERAL CONTRACTORS

NFIB

OSCC

OTA OREGON TRUCKING ASSOCIATIONS Inc.

OREGON ASSOCIATION OF NURSERIES

ORLA Oregon Restaurant & Lodging Association

FOOD NORTHWEST We Feed You

OREGON ASSOCIATION OF REALTORS®

OREGON FOREST & INDUSTRIES COUNCIL

OREGON FARM BUREAU

OHBA OREGON HOME BUILDERS ASSOCIATION

OREGON MANUFACTURERS AND COMMERCE

OREGON BANKERS ASSOCIATION
The Voice of Oregon Banking • Since 1905

BEND Chamber

Eugene Area Chamber of Commerce

OREGON WHEAT

OREGON DAIRY FARMERS ASSOCIATION ODFA

OADA Oregon Auto Dealers Association

PORTLAND BUSINESS ALLIANCE
Commerce • Community • Prosperity

OWC OREGON WINE COUNCIL

FAR WEST AGRIBUSINESS ASSOCIATION

CgfG Columbia Gorge fruit growers

OREGON SEED COUNCIL

OCAPA Oregon Concrete & Aggregate PRODUCERS ASSOCIATION

Metro Portland NEW CAR dealers association

ASSOCIATED OREGON LOGGERS, INC.

Associated Oregon Hazelnut Industries