

Aug. 7, 2020

TO: Chair Nancy Nathanson
Oregon House Revenue Committee Members

FROM: Sandra McDonough
President & CEO, Oregon Business & Industry

Re: LC 2

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

Thank you for this opportunity to submit comments on LC 2. OBI strongly opposes this proposed legislation and we urge you not to move the bill forward in the next special session of the Oregon Legislature.

With more than 1,600 members across our state, OBI is Oregon's largest general business association. We represent businesses in virtually every industry, including large businesses and small businesses, urban and rural, collectively employing well over 300,000 Oregonians. On most issues our members hold a wide range of opinions, but this year they have coalesced stronger than ever before around one key message: Oregon businesses have taken a devastating blow from the economic impacts of the COVID-19 crisis, and they need the support of our government leaders so they can get back on their feet and restore jobs for the hundreds of thousands of Oregonians out of work.

LC 2 is the opposite of support. It extracts \$225 million in tax dollars from the very businesses that have suffered losses in this COVID crisis, and it does so by negating the impact of the CARES Act, which was adopted by the U.S. Congress with overwhelmingly bipartisan support. The congressional leaders designed CARES Act provisions referenced in LC 2 specifically to assist businesses experiencing losses due to COVID, allowing them to hang on to scarce cash during this extraordinarily challenging economic time.

Adopting LC 2 will demonstrate that the Oregon Legislature prioritizes its own budget challenges over the needs of Oregon's private-sector employers and the urgent imperative to restore lost jobs. The vast majority of jobs that have been lost in this recession came from private-sector employers. These are businesses that were either forced to shut down by order, or because of secondary business declines as customers followed Gov. Brown's order to stay home or global markets changed. These jobs will be restored only as businesses are able to regain a firm financial footing, and additional tax burden from the state – or any other government entity – only makes that more difficult.

At the public hearing on Aug. 6, there was an implication that the proposed changes in LC 2 will impact only a small number of wealthy Oregonians. That is simply not true. Thousands of businesses in all corners of our state are experiencing losses this year due to COVID. The federal Paycheck Protection Program helped many, but that was short-term assistance to support payroll and much of that money has been spent, while the crisis is far from over. Many businesses have had to borrow more from other sources. There is no way we know the extent of the business losses due to this crisis because the end is nowhere near.

These businesses are not experiencing losses because they made a poor judgement about their markets or some other internal misstep. The losses are due directly to their willing compliance with a government order to prioritize public health and safety. Many had to shut down by government order, and some are lost forever. Others shut down temporarily, or cut back substantially. I think we can say with assurance that every single business in Oregon has been impacted by COVID as they have changed or reduced operations to comply with government orders and, most importantly, to protect the health and safety of their fellow Oregonians.

I would like to close by respectfully reminding the Committee of why the state is facing a revenue shortfall: Tax collections are down because hundreds of thousands of Oregonians aren't working and businesses are suffering. The best course for restoring revenues and protecting budgets would be to help businesses get back on their feet so they can put Oregonians back to work. LC 2 has the opposite impact. It will make it harder for many businesses to regain financial stability. We urge you to reject it.

OBI joins our business association partners in this position. Please consider the letter submitted by our coalition which provides more detail about why we oppose LC 2.

Thank you.