



TESTIMONY ON SB 211
BEFORE THE SENATE FINANCE
AND REVENUE COMMITTEE

February 19, 2019

Dear Chair Hass and Members of the Committee:

As you know, Oregon Business & Industry (OBI) is the largest statewide business organization representing approximately 1,600 businesses that employ nearly 300,000 Oregonians. Our members cover virtually every industry in Oregon, and more than 80 percent of them are small businesses with fewer than 100 employees.

OBI is submitting this testimony in opposition to SB 211, which would reduce the amount of income eligible for the elective reduced personal income tax rates allowed for certain pass-through income. The bill, if amended by the -1 amendment, would also limit the types of businesses eligible for the reduced rates.

Small businesses are the backbone of Oregon's economy, and legislators recognized that fact when they established the elective reduced tax rates in 2013. The lower rates were intended to free up much-needed capital to be reinvested into small businesses to grow, hire, and improve Oregon's economy. According to the Legislative Revenue Office, more than 20,000 Oregon small businesses elected to use the reduced rates in 2017. There is no doubt that that has enabled them to better contribute to Oregon's recent record economic growth and low unemployment rate.

In addition to reducing the amount of income eligible for the reduced rates, by limiting the types of businesses eligible for the reduced rates, as the -1 amendment would, the legislation unfairly picks winners and losers. When the reduced rates were first implemented by the Legislature in 2013, they were made available to all businesses that qualified under the income limitations, regardless of industry. The -1 amendment now states that certain businesses are unworthy of the reduced rates simply because of the goods or services they provide. This is in direct conflict with OBI's tax policy principles that state that any tax changes should result in a level playing field among competitors and industries.

For the reasons mentioned above, OBI opposes SB 211. Thank you for your consideration of our testimony as you evaluate the merits of the legislation.

Sincerely,

Mike Stober
Director of Tax and Fiscal Policy
Oregon Business & Industry