

April 1, 2021

To: Chair Smith Warner and Members of the House Committee on Rules
From: Paloma Sparks, Vice President, Oregon Business and Industry
RE: OBI Testimony on HB 3389

Chair Smith Warner and Members of the Committee:

I am Paloma Sparks, Vice President of Oregon Business and Industry. Thank you for the opportunity to discuss the impacts of unemployment insurance taxes on Oregon's struggling employers and the efforts to address those in HB 3389. This issue is crucial to Oregon Business and Industry members and the business community on the whole. OBI is Oregon's most comprehensive business association representing approximately 1,600 businesses that employ over 250,000 people. We represent multiple sectors and serve as the state's Retail and Manufacturing Councils.

The COVID-19 pandemic and the Governor's Stay Home orders forced many businesses to lay off most of their workforce. While some restrictions have since eased, in March of 2020, the Governor ordered large portions of our economy to shut down. Executive Order 20-12 completely shut down personal services, gyms and other fitness businesses and most non-grocery retail. The order also shut down any restaurant that could not provide take-out or delivery services. While some restrictions have eased the damage was already done. Businesses were forced, by state action, to lay off all or most of their workforce. The virus and stay home restrictions further hurt businesses. The temporary and permanent closures of these businesses had cascading impacts on other sectors, ultimately resulting in the current recession.

The decision to lay off workers were not business decisions, these choices were dictated by Government action. Many of these businesses could not continue to operate, by law. This was not due to any action on their part, but by the need to keep everyone safe and at home. Despite the hardships, business have found creative ways to continue to remain open by changing their business models – increasing delivery and pick-up options, turning to e-commerce and other ways to continue serving their customers. Sadly, too many had to close their doors for good.

Struggling businesses got another shock this last fall when they opened their mail to discover yet another hurdle – their 2021 unemployment insurance tax rates. Some have seen a doubling or even tripling of their tax bills. Throughout the pandemic, we have been told we were all in this together but to many, this feels like another instance where the bulk of the burdens are being laid upon the shoulders of businesses just trying to keep their business going.

We would like to thank Speaker Kotek, Representatives Holvey, Bonham and Lively and Senators Riley and Hansell for their leadership on HB 3389. This bill is a great start to addressing the costs businesses are facing that they had no control over. We would note, that as currently drafted the only provisions that address the very high increases in 2021 tax bills, is the provision to forgive up to 1/3 of the taxes. We must do more to help businesses this year.

Certain industries were particularly hard-hit. They should not be further hurt by tax increases that are caused by actions that they had no control over. The state now has access to federal funds that can mitigate the impact to those businesses without damaging our very strong UI trust fund. We urge the committee to consider increasing the amounts of tax increases that can be forgiven, particularly for businesses that saw their taxes increase by 2% or more. Some of these businesses are struggling right on the edge of disaster – we should step up to help them so they can bring all their workers back to work and contribute to restoring our economy.

We thank Director Gerstenfeld for his willingness to find creative solutions to help businesses that have been hard hit while still ensuring that our system remains strong. He has engaged with the business community throughout this crisis and has tried to find meaningful ways to help our members. And he has done all of this while juggling what we can only guess is one of the most challenging times for his department. We truly appreciate the work he has done with this bill and for his partnership.

Oregon has an opportunity to make true lasting changes with HB 3389 that will help our economy recover quicker. By adopting these changes, we are hopeful that the highest tax schedules will not have to be used to replenish our trust fund. We can also take bold action to ease burdens placed on businesses that were hardest hit by closures and should not be forced to shoulder the weight of costs that they had no control over.

Thank you for your leadership on this crucial issue. There are ways to do this, so that our UI trust fund remains strong and able to withstand the tough years ahead but also provide relief to Oregon's businesses. OBI stands ready to work with legislators, partners and the Employment Department to continue to work on solutions that help restore our economy's strength.

Thank you for your consideration.