

Date: May 25, 2021

To: Chair and Members of the Senate Committee on Finance and Revenue
From: Scott Bruun, OBI
RE: OBI Testimony in Opposition to SB 137-2

Chair Burdick and Members of the Revenue Committee:

Good afternoon. My name is Scott Bruun, and I am Director of Tax and Fiscal Policy for Oregon Business and Industry. OBI is a member-led business trade association. We have 1,600 members that employ more than 300,000 Oregonians. Thank you for the opportunity to testify today.

We are strongly opposed to the -2 amendments of SB 137.

In light of the astonishingly favorable revenue forecast last week, Madame Chair, we were surprised - to say the least - when we saw the -2 amendments posted last night. Surprised because the state is essentially \$3 billion ahead of where it thought it would be a year ago, a billion ahead of where it was just 3 months ago, and we will finish a month from now with an ending balance and reserves of over \$4 billion. That's in addition to the \$2.6 billion we will receive from the federal government.

Simply put, the state's coffers are full. They're bulging, in fact. We have never seen anything like this before. Literally, we have never seen anything like this before. It's absolutely unprecedented.

Given the incredible revenue forecast, but also given that Oregon's businesses have already seen a 41% increase in taxes over the last two years, we strongly believe that every single new tax, or tax increase proposal, should now be off the table – including SB 137-2, the proposed state taxation of forgiven PPP loans.

It's important to remember that Congress passed the PPP program, in a rare bipartisan fashion, because of the desperate financial and economic strain caused by Covid. This wasn't just another policy package. It was a Hail Mary. It was an attempt to stop another Great Depression by keeping Americans employed, and by keeping millions of small businesses operating with their noses above water, even if just barely. These loans were not used to augment or replace lost business profits. Instead, the program was specifically designed to help businesses meet payroll. It was Congress' clear intent that PPP benefits not be taxed as income as long as those benefits were used for intended purposes.

These loans were granted and used by businesses, mostly small businesses, to keep people working even though these businesses were suffering from the economic fallout of Covid. This includes fallout caused by state mandated work closures and state mandated constraints, many of which are still in place today.

Because of these loans, tens-of-thousands of Oregonians were able to keep their jobs. And, of course, the state directly benefited from the income taxes paid through those retained jobs. At

the same time, the state also avoided the payment of unemployment insurance benefits which would have been necessary had those jobs been lost.

Finally, Madame Chair, committee, it's important to look at how businesses in Oregon – and other states - will see this. A business in Oregon that received a forgiven PPP loan in order to keep their doors open is also a business that sees that the state does not need any additional revenues. And if revenues are not needed, how can that business, then, see this measure as anything other than punitive?

We wish it were not true, but with our tax, regulatory and business climate being what it is, businesses are not beating down the door to move to Oregon. SB 137-2 and the taxation of forgiven PPP loans will not help us overcome this problem, it will exacerbate it. And the bill, in the worst case, may also prove to be another disincentive for companies already in Oregon to stay in Oregon.

For these reasons, Madame Chair and committee, we strongly encourage you to oppose SB 137-2.

Thank you.

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