

Date: February 25, 2021

To: Chair and Members of the Senate Committee on Revenue
From: Scott Bruun, OBI
RE: OBI Testimony in Opposition to SB 139

Chair and Members of the Committee:

Good afternoon Chair Burdick, Vice Chair Boquist, and Revenue Committee members – 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 with over 1,600 members that employ more than 330,000 of our fellow Oregonians.

I am testifying today in opposition to SB 139.

SB 139 would raise taxes on thousands of Oregon partnership businesses at a time when many of those businesses are still reeling from the economic effects of COVID. These businesses are not the euphemistic “large corporations,” they are small and medium-size businesses that operate in every corner of our state, and in every commercial business activity you could think of. These could be businesses with two employees, 20 employees, or even 200 employees, each with an interest in keeping those employees working and maintaining operations during perhaps the biggest economic challenge of our lifetime.

There is no question that some Oregon businesses have done well during the current crisis. Some have even done exceptionally well. That’s actually great news! It’s something we should celebrate, not punish or lament. Those businesses, whether they employ 2 or 200, have kept Oregon moving forward. They’ve kept their people working; they have played by the rules; they’ve overcome hurdles; and they will pay the full taxes they owe under current statute - more than they would pay, of course, if they had not done as well.

But we shouldn’t let success stories sidetrack us. The fact is most businesses have suffered and are behind where they would otherwise be if not for COVID. SB 139 would raise taxes on those businesses during this time of economic stress. These tax increases would make it harder for Oregon businesses to compete, harder for them to hire, harder for them to give raises, and maybe even harder for them to retain the people they currently employ.

It is also important to remember, as we’ve discussed before, that every Oregon business, partnership or not, will already be experiencing a 41% increase in their overall tax burden by 2022 when tax measures approved in 2019 are fully implemented. COVID notwithstanding, Oregon’s business tax burden has increased from 40th highest

in the nation, to 19th highest in a very short period of time. Respectfully, the businesses which employ Oregonians are having a hard enough time swallowing that big pill, they are certainly not in a position to take on yet another tax increase.

Finally, Madame Chair, I want to address a provision of the bill which would carve out entirely the pass-through rate benefits for what the IRS calls a “specified service trade or business.” These are businesses where the principal asset of the business is the knowledge or reputation of its employees or owners. It seems strange that we would single-out these types of businesses. Are some of these businesses doing well? Of course they are.

But there are also many small businesses in this sector that have struggled to overcome major obstacles. Think of the dentist office which was required to close for 4 months last year, and where even now patients are slow to return. Think of the boutique graphic design shop, the boutique financial advisory firm, or even the boutique law firm focusing on tenant rights. All of these are working to overcome COVID-related challenges and none, I would venture to say, are in a position to easily handle another major tax increase.

Madame Chair, committee, for these reasons OBI urges you to say ‘No’ to SB 139.

Thank you.

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