

Date: March 1, 2021

To: Chair and Members of the House Committee on Revenue
From: Scott Bruun, OBI
RE: OBI Testimony in Opposition to HJR 13

Chair and Members of the Committee:

Good afternoon Chair Nathanson, Vice Chairs Pham and Reschke, 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. We have 1,600 members that employ more than 330,000 Oregonians.

Thank you for the opportunity to testify today, we are opposed to HJR 13 for several reasons:

First, we oppose HJR 13 because it is regressive.

The swift acceleration of property taxes that would happen under HJR 13, by tying tax assessed value at 75% of market value, is inherently regressive. Even the five-year phase-in aspect would not protect lower or fixed income property taxpayers. We have seen too many wild gyrations in market valuations over recent years for this to work without causing significant hardships, perhaps insurmountable hardships, for some taxpayers.

Respectfully, among the necessary attributes of good tax policy, is the ability for taxpayers to understand and predict what their future tax burdens may be with a reasonable degree of certainty. Otherwise, forward-looking planning and decision making become virtually impossible. HJR 13, fully implemented, allows for none of the taxpayer certainty necessary for good tax policy. It will erode taxpayer confidence.

And of course, it's not just personal property and payers effected, it's also business property and payers. Think about those gem, but not flashy, small businesses that you can find tucked away even in denser urban areas. Boutique manufacturing shops, cabinet shops, auto-repair shops, you name it, they are all over in SE and NE Portland, Eugene and Corvallis, for example. Regardless, whether those businesses lease or own the properties they work from, they are the type of businesses that would be hurt most by a system called for in HJR 13.

More simply put, HJR 13 would accelerate gentrification. Lower fixed-income families and lower margin business will be the ones most negatively affected. They are the ones most at risk of being priced right out of their own neighborhoods.

Secondly, we oppose HJR 13 because it once again raises Oregon's overall tax burden.

It is very important to remember, from a business perspective, that the overall business tax burden has gone up significantly in recent years. In fact, the Oregon tax burden study compiled by the Council on State Taxation and Ernst & Young shows that tax increases passed by the legislature in 2019 will raise the business tax burden 41% by 2022 when those increases are fully phased in. This will move Oregon from 40th highest in the nation in overall business tax burden, to 19th highest in a very short period of time. Adding a major property tax increase, or any other tax increase, can only have a debilitating effect on Oregon's businesses and their ability to grow, to invest, to hire, to retain employees, and to compete with businesses outside of Oregon.

Finally, we oppose HJR 13 because it would actually complicate the necessary work of reforms for our property tax system.

Our system as it stands today is not without fault, and the business community understands a conversation around property tax reform is needed. But HJR 13, a regressive split-roll system tied to market price volatility, is not the direction we should go. Better would be to tackle the issue of property tax reform by convening stakeholders for a top-to-bottom review, analysis and recommendations. We believe this is work best done in the interim.

For these reasons, Madame Chair and Committee, we oppose HJR 13.

Thank you.

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