



Date: Feb 14, 2023

To: Chair and Members of House Revenue Committee

From: Scott Bruun, OBI

RE: Testimony in support of HB 2546 / Throwback Rule Repeal

Chair Nathanson and Members of the Committee:

I am Scott Bruun, director of tax, fiscal and manufacturing policy for Oregon Business & Industry. OBI is a statewide association representing businesses from a wide variety of industries and from each of Oregon's 36 counties. In addition to being the statewide chamber of commerce, OBI is the state affiliate for the National Association of Manufacturers and the National Retail Federation. Our 1,600 member companies, more than 80% of which are small businesses, employ more than 250,000 Oregonians.

Thank you for the opportunity to testify in support HB 2546. We are grateful to Vice Chair Reschke for sponsoring the bill, and you Madame Chair for scheduling a hearing on the bill.

HB 2546, which would repeal the throwback requirement in Oregon's apportionment rules, is a positive step for Oregon's manufacturers. Currently, Oregon's tax code requires Oregon manufacturers or businesses shipping from the state to "throwback," or treat as Oregon sales for purposes of apportionment, sales made into a state where the business is not taxable.

This policy punishes in-state manufacturers and is counter-productive to Oregon's attempt to incentivize manufacturing in the state. This is particularly timely and important as we think about the work this legislature is looking to do to support Oregon's semiconductor and advanced manufacturing industries. Further, as the state has moved to single-sales factor apportionment and market-based sourcing, throwback is out-of-step with the state's general approach to apportionment.

HB 2546 would repeal a policy that is outdated and no longer aligns with the business environment Oregon is working to create. As the state seeks to help existing manufacturers thrive, and also seeks to attract new manufacturers and investments to the state, in the semiconductor space and other traded sectors, we would do well to repeal a policy that punishes in-state manufacturers.

Repealing throwback would better align with the state's single-sales factor tax code and with the legislature's desire to make Oregon a place where manufacturers, and their employees, can thrive.

We encourage your support of HB 2546.

Thank you.

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