



Date: Feb 15, 2023

To: Chair and Members of the House Committee on Climate, Energy, and Environment
From: Scott Bruun, OBI
RE: Opposition to HB 3158 / Tire sales tax

Madame Chair, 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.

Respectfully, we are opposed to HB 3158 for several reasons:

First, given current inflation and other challenges, we think that the multiple new taxes within the bill – especially the proposed 3% retail tire sales tax – create additional unnecessary burdens on Oregon businesses, consumers and families. Any of us who have recently purchased tires understand that it is already a financially painful endeavor, and certainly difficult or at least uncomfortable for a lot of Oregon families.

Second, while we understand that taxes raised would go to the Clean Diesel Engine Fund, we believe it will be very difficult to convey to working Oregonians and Oregon small businesses the value nexus. Conversations around taxes for public services we all need and want are often difficult enough. But new taxes to pay for things that taxpayers may not understand, or may not clearly see the value of, is a recipe for widespread taxpayer dissatisfaction.

Third, we oppose this bill because once something like this becomes statute, even if limited in initial scope, it becomes much easier for future legislatures to add additional taxable goods, or to raise the tax rates. In Oregon, we sunset tax credits but we never sunset taxes themselves. If HB 3158 becomes law, it's difficult to imagine it ever going away.

Finally, I just want to add that it is important to look at these proposed new taxes – or any proposed new tax or tax increase – in the context of our larger tax environment. According to a study we commissioned with the international accounting firm of Ernst & Young, Oregon has seen a 52% increase in business taxes collected since 2019. We have seen an additional 32% increase in taxes for businesses in the Portland-Metropolitan area. And we

have seen a 29% increase in our combined state and local total effective business tax burden, which is a factor of business taxes as a share of total state domestic product.

The bottom-line with all of this is that since 2019, Oregon has gone from behind the US average to significantly above the US average in business tax burden, and above other Western States including Washington, Idaho, Utah, Arizona and even California. Adding the new taxes in HB 3158 would further deteriorate Oregon's competitive position.

For these reasons, we respectfully request that you not pass HB 3158.

Thank you.

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