

Submitter: James Wilson
On Behalf Of: Oregon State Chamber of Commerce
Committee: Senate Committee On Finance and Revenue
Measure: SB1542

Dear Chair Meek and members of the Senate Finance & Revenue Committee,

Thank you for hearing SB 1542. This bill is a longstanding priority of the Oregon State Chamber of Commerce and our 80+ local Chambers of Commerce throughout Oregon. We support SB 1542 strongly.

SB 1542 raises the CAT tax exemption from \$1 million to \$5 million. This is very timely tax relief for small businesses that are dealing with extreme inflationary cost pressures across nearly all business inputs from labor, supplies, capital equipment, and insurance. As you know, the CAT tax only credits businesses with a 30-cents on the dollar deduction for these 'cost of goods sold', which means that businesses are now receiving no deduction at all on the added 70-cents for every dollar of inflationary cost increase.

In this environment, it is simply not fair or equitable for small companies to be saddled with what is effectively a tax on inflation.

As the current CAT tax stands, a business with about \$1.3 million in gross income will start to incur an actual tax liability. These are very small businesses, usually with fewer than 10 employees. A business with \$1.3 million in gross sales is considerably smaller today than a similar business in 2019 when the CAT was passed. This is a far cry from how the CAT was sold as a tax on "corporations".

The CAT is wildly unpopular with small businesses, and justifiably so. It is the diversion of capital and cash flow for the businesses that need it most. As of today, about 70% of CAT payers have less than \$5 million in gross revenue. These same payers make up less than 7% of CAT revenues.

This is a very good opportunity for the legislature to earn some rapport and goodwill among 15,000 of our state's small businesses by giving up 7% of revenues on a tax that has yielded far more revenue than anticipated. Now would be a good time to make the adjustment to "right size" the CAT and make sure it is not an impediment to our state's small businesses who are already under extreme cost pressure.

Thank you for your consideration.

JL Wilson
Executive Director

Oregon State Chamber of Commerce