

Dear Portland Business Alliance Members:

Since the Oregon Legislature convened last January, we have been working on your behalf to present the fiscal solutions that we believe are best for our state. The elected leadership in Salem has listened to our proposals but, to date, they appear to have largely disagreed with our solutions, as evidenced by a new and unacceptable proposal put on the table by the Oregon House majority yesterday.

We need your help again. Please consider calling or emailing key legislators to voice your concerns about excessive increases in Oregon's business taxes and how they impact your ability to stay viable in this difficult economic climate. At the bottom of this message you will find a break down of the current legislative tax proposal, as well as others on the table in Salem. We've also included our talking points and contact information for targeted legislative leaders.

About 10 days ago, we sent you an email laying out the positions we have taken on budget and tax proposals, in concert with most of the state's major business organizations. As a reminder, they are:

1. Oregon companies and workers are suffering from lower revenues, lower profits, lower wages and fears of surviving. Many companies have eliminated jobs or reduced worker benefits in an effort to stay afloat. Adding more burdens to this situation with substantially higher taxes is not a workable solution, and could have the impact of prolonging the economic recession and hindering our ability to preserve jobs.
2. The \$10 Oregon corporate minimum tax has become a source of public scrutiny and controversy. We agree that the minimum tax should be adjusted, but believe the changes must be modest and reasonable as the minimum taxes all C-Corps whether they are profitable or not.
3. We are against corporate taxes that are based on gross receipts rather than profit. Taxing revenue would be a major disincentive to operating a business in Oregon and is particularly harmful to businesses that are already losing money.
4. The state must look to reduce expenses and to operate within its means, just as Oregon businesses and families are doing. In these tough economic times the state cannot ask taxpayers to fully fund costs driven by inflation, population growth and program expansion. These are extraordinary circumstances, and budgets that are based on business-as-usual are not realistic. Moreover, the downturn creates an imperative to take a new look at ongoing programs and practices, with an eye on how we can get more value and efficiency out of those budgets.
5. The state should use monies from the rainy day fund, reserve funds and stimulus money to balance the budget. However, they should also understand the implications this will cause when these one-time funds are not available in the future.

6. If, after all other avenues are taken, legislators determine that they must raise taxes, we believe the tax increases should be temporary, they should be fairly applied and all Oregonians should be asked make a contribution toward helping our state through this temporary crisis.

Yesterday, the House Democratic leadership put a new business tax proposal on the table. In our view, this proposal does not meet the principals outlined above. Additionally, we still do not see evidence that the state has sufficiently curbed its spending.

We also are very concerned about what appears to be an “anti-business” sentiment among some elected officials in Salem, and a tendency to pit big business against small business, and individual taxpayer against business taxpayers. For our state to be healthy, all sectors need to be successful, and we need to join together to make that happen. We hope legislators understand that we all want what is best for Oregon and a strong business community is the most important factor in economic recovery.

We are continuing to work on your behalf in Salem.

Crisis creates change and we are facing significant changes in the years ahead. The decisions that our elected leaders choose to implement will shape the future of our state for many years, and we want to make sure they understand the full implications of their potential actions. The Portland Business Alliance is doing its best to represent the interests of our members in order to sustain a healthy business environment. Please call me directly if you have any questions, comments or concerns.

Sincerely,

Steven J. Holwerda
Board Chair
Portland Business Alliance
holwerda@fergwell.com

CORPORATE TAX PACKAGE COMPARISON

Corporate Minimum Tax (Applied to sales not profits)

Oregon Sales	Original OBA* Proposal (permanent)	Revised OBA Proposal (permanent)	Orig. Legislative Proposal (0.15%, permanent)	Revised Legislative Proposal (permanent)
<\$500K	\$250	\$250	\$250	\$150
\$500K - \$1M	\$250	\$250	\$750-1,500	\$500
\$1 - \$5M	\$500	\$500	\$1,500-7,500	\$2,000
\$5 - \$10M	\$500	\$500	\$7,500-15,000	\$7,500
\$10 - \$25M	\$1,000	\$1,000	\$15,00-37,500	\$12,000
\$25 - \$50M	\$2,500	\$2,500	\$37,000-\$60,000	\$20,000
\$50 - \$75M	\$5,000	\$5,000	\$60,000	\$30,000
\$75 - \$100M	\$5,000	\$5,000	\$60,000	\$50,000
\$100 - \$175M		\$10,000		
\$100 - \$250M	\$10,000		\$60,000	\$75,000
\$175 - \$275M		\$25,000		
>\$250M	\$25,000		\$60,000	\$100,000
>\$275M		\$50,000		

*Oregon Business Association

Corporate Excise Tax New Marginal Rate (Applied to profits)

Tax Year	Original OBA Proposal (temporary)	Revised OBA Proposal (temporary)	Legislative Proposal (permanent over \$10M net.)
TY 2009	7.6%	7.9%	7.9% (Net income > \$250,000)
TY2010	7.6%	7.9%	7.9% (Net income > \$250,000)
TY 2011	7.1%	7.25%	7.6% (Net income > \$250,000)
TY 2012	6.6%	6.95%	7.6% (Net income > \$250,000)
TY 2013		6.6%	7.6% (Net income > \$10,000,000) <i>**Tax rate permanent over \$10 M net.</i>

S Corp & Entity Tax (LLC, LLP, etc)

	Original OBA Proposal (permanent)	Revised OBA Proposal (permanent)	Legislative Proposal (permanent)
Flat	\$250	\$250	\$150

Corporate Filing Fee

	Original OBA Proposal (permanent)	Revised OBA Proposal (permanent)	Legislative Proposal (permanent)
All corporate filings	\$100		
Nonprofits		\$75	\$75
Oregon companies		\$100	\$100
Foreign companies		\$250	\$250

Personal Income Tax

	OBA Proposal (temporary)	PBA (temporary)	Legislative Proposal (permanent)
	Must be temporary, should be under 10%	Must be temporary, should be under 10 percent and should be across the board	10.8% for Households >\$250,000 or individuals >\$150,000.

Portland Business Alliance Suggested Talking Points

- Oregon businesses recognize the challenges facing our state's budget, but we have grave concerns about the revenue proposals put forward on Friday, May 22.
- Many Oregon employers are laying off thousands of workers and shuttering operations.
- With a state unemployment rate of 12.1 percent, the second highest in the nation, this proposal to raise business taxes by 42 percent would drastically exacerbate and lengthen the recession, contribute to even more job losses and cause further deterioration of state revenue.
- We join with the state's other major business organizations to propose these five steps to address the state's budget challenge:
 1. Establish a reasonable budget floor that prioritizes and protects critical public services in this economic downturn.
 2. Retool education, human services and public safety services to get more value out of those budgets.
 3. Dedicate kicker funds to the Rainy Day Fund to avoid wrenching budget choices down the road.
 4. Methodically draw down federal stimulus dollars and reserve funds to support the budget floor. We will **support** a reasonable and modest adjustment to the corporate minimum tax, but we will **oppose** instituting a gross receipts or business activities tax.
 5. If, after these steps are taken, additional revenues are needed, consider temporary measures that do not unduly burden any sector of our economy, including temporary tax surcharges.

Legislator Information

You can also call legislators by dialing their main legislative phone number, 503-986-1187 or 1-800-332-2313, asking for the individual legislators.

Leadership/Committee chairs:

House Speaker Dave Hunt: rep.davehunt@state.or.us

House Majority Leader Mary Nolan: rep.marynolan@state.or.us

House Minority Leader Bruce Hanna: rep.brucehanna@state.or.us

Senate President Peter Courtney: sen.petercourtney@state.or.us

Senate Minority Leader Ted Ferrioli: sen.tedferrioli@state.or.us

House Revenue Chair Phil Barnhart: rep.philbarnhart@state.or.us

Senate Finance and Revenue Chair Ginny Burdick: sen.ginnyburdick@state.or.us

Individual legislators:

Rep. Jules Kopel Bailey: rep.juleskopelbailey@state.or.us

Rep. Jeff Barker: rep.jeffbarker@state.or.us

Rep. Greg Matthews: rep.gregmatthews@state.or.us

Rep. Suzanne VanOrman: rep.suzannevanorman@state.or.us

Rep. David Edwards: rep.davidedwards@state.or.us

Rep. Chris Harker: rep.chrisharker@state.or.us

Rep. Scott Bruun: rep.scottbruun@state.or.us

Rep. Bill Kennemer: rep.billkennemer@state.or.us

Sen. Mark Hass: sen.markhass@state.or.us

Sen. Laurie Monnes Anderson: sen.lauriemonnesanderson@state.or.us

Sen. Rick Metsger: sen.rickmetsger@state.or.us

Sen. Richard Devlin: sen.richarddevlin@state.or.us

Sen. Betsy Johnson: sen.betsyjohnson@state.or.us

Sen. Joanne Verger: sen.joanneverger@state.or.us

Sen. Martha Schrader: sen.marthaschrader@state.or.us