



February 13, 2018

Senator Tim Knopp  
900 Court St NE, S-309  
Salem, OR, 97301

Senator Cliff Bentz  
900 Court St NE, S-301,  
Salem, OR, 97301

RE: **Oppose SB 1528A: Tax increase on Oregon's homegrown businesses**

Senator Knopp and Senator Bentz,

The Bend Chamber of Commerce writes you today in an urgent effort to share our opposition to SB 1528A. With nearly 1300 members who represent over 25,000 employees, almost 80% are from the small business sector, parallel to the statewide percentage. We ask you to please help educate your colleagues in understanding the impacts this will have on small and family owned businesses not only in the Central Oregon region, but statewide.

As a result of federal tax reform, Oregon small businesses will receive a tax savings—a 20% deduction on business income for all pass-through entities to maintain parity with C-Corps.

But now, even *before* state economists have determined the full impact of federal tax reform on Oregon's income tax revenues, SB 1528A is up for a vote. **This bill would eliminate these tax savings and raise taxes on Oregon small businesses by eroding the state's own pass-through entity tax rate structure, the 2013 Small Business Tax Cut.**

**SB 1528A:**

- Raises **\$181 million** in revenue by disconnecting Oregon from the federal tax code that applied to pass-through business deductions.
- Undermines the 2013 Grand Bargain by capping tax reductions to pass-through business owners at \$250,000 or less in income. Any pass-through business owner above that level would be taxed at the **maximum Oregon tax rate** of 9.9 percent. This raises **\$30 million** in revenue.
- Adds sole proprietorships to the Small Business Tax Cut with the caveat that they have at least one year-round, full-time employee. Tax **savings are minimal** when compared to the tax break that will be lost by decoupling from the federal tax code.
- Many small businesses lack the capital to reinvest in infrastructure needed to expand. The state should not inhibit economic growth by taxing these businesses in good years.
- **The net effect of SB 1528A is not revenue neutral.** SB 1528A is a bill for raising **\$81.4 million** in the current biennium and hundreds of millions in new revenue over the next several years.

The Oregon legislature has the opportunity to fuel small business growth by connecting fully to the federal tax cuts and leaving Oregon's small business tax rates alone, resulting in hundreds of millions of dollars into Oregon's local business communities without cost the state. We urge you to oppose SB1528A.

Sincerely,

Katy Brooks  
CEO