

OREGON
BUSINESS
& INDUSTRY



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Oregon's rising tax burden

Discussion agenda

- OBI / Who we are and what we do
- EY study background
- New / increased taxes
- Tax rate and burden changes / key takeaways
- What we are doing about it
- Questions / Discussion

About OBI

THE VOICE OF BUSINESS IN OREGON

Advancing our mission through advocacy, research, & education.

- 1,600 members employing 250,000+ Oregonians
 - All sectors and industries
 - All 36 counties
- Recognized statewide chamber of commerce
- Oregon affiliate for
 - National Association of Manufacturers (largest OBI member bloc – 20%)
 - National Retail Federation (second largest OBI member bloc – 10%)
- Works with industry-specific trade associations
 - Leads on general business issues (e.g., tax and employment policy)

Ernst & Young Study

- Needed to understand comparative tax burden with passage of Corporate Activity Tax in 2019 (and other taxes)
- Strong belief that lawmakers are not seeing cumulative impact of new taxes
- Third party validation to bolster advocacy efforts
- Objective education a key part of OBI's work
- First study: November 2020
- Refresh/updated study: October 2022
- Report on OBI website

New taxes / increased taxes

Statewide

- CAT \$250 plus 0.57% of “taxable commercial activity” in Oregon above \$1 million (began in 2020)
- Insurer premium tax increase (from 1.5% to 2.0%) on premiums (began in 2020)
- Paid Family Medical Leave payroll tax (1% of wages), begins 2023

Local

- Portland 1% gross receipts tax, began 2019
- Portland parks property tax, began 2021
- Multnomah Co. business income tax (increase from 1.45% to 2.0%), began 2020
- Multnomah Co. individual income tax for preschool (1.5% to 3.0%), began 2021
- Metro 1% income tax for homeless services, began 2021

Total effective business tax rates/ Key takeaways

- 52% increase in business taxes paid between 2019 and 2021 (*taxes increased by \$1.2 billion*)
- TEBTR increased to 5.4% in 2021 from 4.2% in 2019
- Oregon went from 38th lowest tax burden, to 21st highest
- Additional 32% increase in local tax burden
 - *Portland/Metro region has second highest marginal combined income tax rate in nation at 14.7%!*
- Oregon's combined state/local "TEBTR" above national average and ID, AZ, UT, WA, and even... CA

Big challenges..

- Statewide bus tour last August, we heard: Taxes too high, regulation too complex, usable land too scarce/too expensive, lack of understanding or appreciation of business. And lot's of out-of-state recruitment
- More than 80% of Oregon CPAs have at least 1 client actively considering leaving the state (most have several)... not to mention anecdotal data about people and companies leaving, investments not occurring
- **Several reasons for this:** including regulatory compliance costs, permitting black holes, lack of workforce housing, workforce shortages, burdensome overtime and leave rules, developable land scarcity, rising crime, declining school performance. ***And also...***

...near highest taxes in America:

Top Marginal Income Tax Rates as of Jan. 1, 2022

Area	Combined rate	Top State marginal tax rate	Local rate	Bracket for highest state rate (single filer)	Bracket for highest state rate (married filing joint)
New York, NY	14.776%	10.9%	3.876%	\$25,000,000	\$25,000,000
Portland, OR	14.6837%	9.9%	4.7837%	\$125,000	\$250,000
California (no local income tax allowed)	13.3%	13.3%	N/A	\$1,000,000	\$1,250,738
Newark, NJ	11.75%	10.75%	1.0%	\$1,000,000	\$1,000,000

What we are doing about it

- Working to STOP new taxes
 - State level (HB 2673, multiple tax “study” bills, “People’s Rebate in 2024)
 - Local level (*cap gains in Multnomah Co, May 2023*)
- Expanding stakeholder partnerships (business and atypical)
- Changing the narrative / OBI’s Pro-Growth & Innovation agenda
 - R&D tax credit; CAPEX tax credit; Semiconductor Task Force; rate reforms w/inflation adjustments; estate tax reform; wage and training tax credits; regulatory reform including Business Ombuds Office and Regulatory Efficacy & Audits Commission
- Bring legislators to businesses
 - Monthly manufacturing tours, Summer comprehensive tour

Thank you!

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