



**OREGON STATE SENATE**

May 8, 2019

Brad Hicks  
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Dear Brad,

Along with my Senate Colleagues, I received your May 6 email, conveying your members' concern about the economic impacts of the corporate activities tax authorized by HB 3427. I appreciate receiving the input you've offered. I won't be meeting your request to oppose the bill (I may have voted for it by the time you read this), and would like you to know why.

The Student Success Committee of fourteen legislators that toured Oregon school districts last year, including a two-day stop in Medford, came to bipartisan conclusions about the consequences of thirty years of disinvestment in Oregon's public education system. They came up with a strategic investment plan that, in my judgment, gets to the roots of our educational, and therefore our larger social/economic, challenges. I believe it will be money well spent.

Where should the money come from? That's been the question since 1990, when Measure 5 capped the portion of property taxes going to schools at \$5 per \$1000 of property value. For 30 years Oregonians have been told that state government would step up to fill the K-12 funding gap. It has never happened. I suspect that's because every possible funding proposal triggers more opposition than legislators like to deal with. So the can repeatedly gets kicked down the road, and the hole we find ourselves in gets deeper. My vote for this measure says we owe our children something better, and that, given the importance of education for lifting people to self-sufficiency, the cost of inaction is greater than the cost of action.

That said, let me comment on the commercial activities tax in this bill, which has the support of numerous business groups in Oregon.

- To minimize the impact on small- to medium-sized business, the first million dollars of a firm's commercial activity is exempted. That means that 90% of Oregon's 460,000 businesses will not pay these taxes.
- According to the Council on State Taxation, Oregon currently ranks 44th in the United States for total business taxes. If this bill passes, our state will rank 35<sup>th</sup>.
- Groceries, fuel, and a number of medical and insurance services are exempted.
- Part of the revenue will return to Oregonians in the form of reduced income tax rates.
- The "pyramiding" effect of this tax, where some products will be levied more than once with the .57% tax, applies to most types of consumption taxes. Some would prefer a retail simple





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- sales tax; others say history shows that Oregonians are simply closed to the idea. I'd be interested to know what your membership thinks of the idea.
- The point that addressing the huge PERS liability also needs high-priority attention is a good one. It's pretty clear that it will get that attention. At the same time, a responsible conversation needs to recognize the fact that the lion's share of the \$27 billion unfunded liability--\$22 billion, more or less—is an irrevocable legal obligation that won't go away, no matter what we do. That doesn't mean we should shirk PERS reform. It means only that no reform will benefit the taxpayer as much as we would like.
  - Those who say government should use tax dollars better have a point that can't be denied. Increasing the cost-effectiveness of government is a never-ending task. I support a more robust schedule of agency performance audits to shine light on where we can and should do better. That said, I believe anyone claiming that the answer lies simply in eliminating "waste, fraud and abuse" is not being honest with taxpayers. Given the growing challenges surrounding public education, we'll secure a school system worthy of our kids only by investing more than we have in recent decades.

Thanks again for your correspondence. My hope is that if HB 3427 becomes law, your members will discover both that it's less onerous than some have predicted, and that it helps our schools turn the corner towards greater and more broadly shared student success.

Best wishes,

**Senator Jeff Golden**  
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