House Bill 2777. Rep. Nancy Nathanson
Small Business Investment Tax Credit

Mr. Chair, Colleagues, I'm State Representative Nancy Nathanson representing House District 13, Eugene.

I'm here today to ask your support for House Bill 2777, creating an income tax credit for qualified investments in machinery and equipment for Oregon's small businesses. The focus is the traded sector, primarily manufacturing and agriculture.

This program is designed to have a cap, not a blank check; there are limits placed on the amount each business may claim in a given year, and it prohibits double-dipping, that is, getting a BETC credit, for example, and this credit as well, for the same piece of equipment.

The fundamental question here, of course, is whether the cost to the state is really worth it. Oregon businesses are facing national and international pressures, and will be complying with increasingly challenging requirements related to energy, global warming, and infrastructure. The cost to the state is relatively small for the return on our investment.

This is not a "give-away" for big businesses that already benefit from generous tax credits and low tax liability. The credit is targeted at small businesses with fewer than 100 employees. Many of these companies already contribute significantly to state tax revenues in addition to the benefit they provide to the local and state economy.

Since 1997, Oregon has been among the top 17 states in the country in terms of the percentage of its gross state product in manufacturing.[i] About 19% of Oregon's output value comes from manufacturing, such as computers and electronics, food processing, sports apparel, transportation equipment, and wood products. On the agriculture side, over 80% of our agricultural production is exported out of state – and well over half of that overseas.[ii]

A thriving traded sector is vital to the long-term prosperity of Oregon's economy and its citizens. Manufacturing businesses in Oregon serve as an economic catalyst, generating high wage jobs throughout the state and bringing new dollars into the state's economy that support service industries and public services. It is critical that Oregon have a robust export economy; in brief, we need to produce.

For these businesses to succeed in the next decade and beyond, there is increasing pressure to cut costs in order to maintain profitability, which often means eliminating living wage jobs to pay for investments in expansion and technology.

As a state, we can provide small businesses with an alternative to this false choice by providing local businesses with the tools to remain competitive with large-scale and out-of-state businesses, and expand in the face of these growing economic pressures.

This investment allows companies to purchase equipment or machinery that improves efficiency, brings down costs, and increases output. Because businesses can not qualify for the credit if the investments result in the reduction of wages or the loss of living wage Oregon jobs, this bill encourages businesses to find creative ways to expand while maintaining a high-wage workforce.

I'd like to provide two example stories:

> One is from The Oregonian, 4/20/2007, about metal-fabrication factories. The Executive Director of the Manufacturing 21 Coalition said "companies that survived the shake-out of 2001-2002 have become very effective manufacturers. An old-line industry has modernized itself to compete globally." Companies became more efficient, expanded or changed product lines, *and* increased employment.
>
> **HELI TECH**, a Eugene company, "This is a type of economic development that can be very useful to small businesses in Oregon. Especially because the cost to invest in new machinery and equipment is often one of the greatest barriers for small businesses to overcome when the need or opportunity arises to grow or expand their operations."

Oregon's small businesses and small manufacturers did better than the national average at recovering from the devastating recessions from the earlier part of this decade. But there's a difficulty in taking care of those delayed investments in necessary upgrades – for example, for aging equipment – or to implement green or sustainable technology innovations.

The benefit of this investment to our state is a thriving, competitive home-grown economy, a more stable job-market and increased state revenues.

This kind of targeted credit is what we need right now to help Oregon's small businesses contribute to an economic recovery for Oregon.

---

[i] U.S. Dept. of Commerce, Bureau of Economic Analysis
[ii] Oregon Farm Bureau