OREGON BUSINESS & INDUSTRY | OBI

Feb. 4, 2025

TO: Members of the House Committee on Revenue

FR: Derek Sangston, Oregon Business & Industry

RE: Comments on HB 2083

Chair Nathanson, Vice-Chair Reschke, Vice-Chair Walters, members of the House Committee on Revenue. For the record, I am Derek Sangston, policy director and counsel for Oregon Business & Industry (OBI).

OBI is a statewide association representing businesses from a wide variety of industries and from each of Oregon's 36 counties. Our 1,600 member companies, more than 80% of which are small businesses, employ more than 250,000 Oregonians. Oregon's private sector businesses help drive a healthy, prosperous economy for the benefit of everyone.

Thank you for the opportunity to comment on HB 2083. By studying the merits of indexing Oregon's tax laws to inflation, HB 2083 is similar to and consistent with the goals of HB 2116, which would index the threshold at which the highest personal income tax brackets and corporate excise tax brackets apply by indexing them to inflation. HB 2116 is a bill OBI has developed as part of an industry coalition, and as it is part of our Competitiveness agenda, it is one of OBI's top priorities this session.

Because current law does not adjust the highest personal and corporate income tax brackets for inflation, taxpayers experience "bracket creep" in which the amount of income subject to taxation grows without any corresponding increase in a business' market share or the purchasing power for individuals. This phenomenon discourages business investment in Oregon.

A simple fix to solve this problem would be to adjust tax brackets for inflation, which happens at the federal level. Of the 43 states that levy an income tax, 23 have joined the federal government by fully indexing their brackets to inflation while 18 states do not at all. Only California and Oregon partially index their brackets to inflation, but unlike California, which imposes a top marginal tax bracket that applies to income of over $1 million, Oregon's top bracket applies to income over $125,000 for single filers. Resulting in more and more middle-income Oregonians paying higher taxes without increasing their wealth.

Since Oregon's highest marginal income tax rate applies to such a low level of income relative to the other states levying similar income taxes, this phenomenon also has the unfortunate effect of helping to worsen both Oregon's general and business tax competitiveness. According to a recent study published by the Tax Foundation, Oregon's general tax competitiveness has deteriorated to 30th in the country from 9th since 2019. The same report ranks Oregon's corporate tax competitiveness near dead last at 49th. Both rankings echo a report OBI commissioned through

EY that found Oregon's business tax burden now ranks above the national average and higher than many of our peer states.

For those reasons, OBI wants to be helpful on HB 2083 and respectfully requests a public hearing on HB 2116 to begin addressing this issue this session. Thank you for your consideration.

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