

OREGON
BUSINESS
& INDUSTRY



2021 TAX SURVEY



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Increasing Tax Burden Is Causing Business and Individuals to Consider Leaving Oregon

More than 80% of Accountants and Chamber Leaders Responding to Survey Report They Have Clients or Members Who Are Considering Relocating Their Businesses and Residences

Opening Statement

A survey of Oregon CPAs and chamber of commerce leaders, sponsored by Oregon Business & Industry (OBI) and conducted in the spring and summer of 2021, shows the roster of new local and statewide taxes imposed in Oregon over the last three years have created a negative perception of the cumulative impact of these taxes on business owners and employers. As a result, most report that they have clients or members who are considering leaving the Portland region – or the state altogether, while others are considering pulling back on future Oregon investments, including restricting new hiring.

Key Survey Findings

- Over 80% of the responding Oregon accountants and chamber leaders have business clients or members which are considering relocating due to taxes
- Of those businesses considering relocation, most are considering making investments in other states or shifting production to another state. Some are even considering closing all operations in Oregon
- More than 85% of accountants also have individual clients who are considering leaving Oregon due to personal income tax burdens
- The taxes causing the most concern among businesses and individuals are the Corporate Activity (CAT) Tax; the Multnomah County Individual Income (Preschool for All) Tax; and the Metro Income (Homeless Services) Tax

Negative perceptions around Oregon's tax climate have arisen due to the passage of multiple new tax measures, at both the state and local level. A 2020 study by the accounting firm Ernst & Young, conducted on behalf of the Oregon Business & Industry Foundation and the State Tax Research Institute, found that the cumulative statewide tax business tax burden in Oregon is set to rise 41% because of new taxes passed by the 2019 Legislature, while a business based in Portland was set to experience another 23% increase because of increases in local taxes. The full report can be found [here](#).

Statewide taxes include the new Corporate Activity Tax, which took effect in 2020, an increase in the tax on insurance premiums, and a new Paid Family and Medical Leave tax, which will take effect in late 2022. Local tax increases include property tax levies (Metro Housing Bond and the Portland Parks Levy); the Portland Clean Energy Surcharge (PCES); an increase in the Multnomah County business income tax (BIT); taxes associated with the Metro Homeless Services ballot measure passed in 2020 (business and personal income taxes); and the Multnomah County Preschool for All personal income tax, also passed in 2020.

The increase in tax incidence to households and businesses, coupled with the impacts of the Covid-19 pandemic, have set the region on a path of increasing unaffordability. The survey demonstrates that Oregon is at a tipping point arising from burdensome taxation and now risks harming both its near-term economic recovery, as well as longer-term business retention and economic development efforts.

OBI 2021 Survey Results Underscore Oregon’s Declining Business Climate

OBI exists to strengthen the economy in order to achieve a healthy, prosperous and competitive Oregon for the benefit of present and future generations. OBI represents more than 1,600 member businesses across the state on policy issues that impact business and industry and Oregon’s economic vitality. In order to understand how changing tax policy is impacting business decisions, OBI conducted the 2021 survey of accounting professionals and chamber leaders to determine the impact of increasing state and local taxes on the state’s diverse business community.

Over 400 individuals, including business-focused certified public accountants (CPAs) and local business chamber leaders from across the state, received the email survey which asked if any of their business clients or members, small or large, were considering relocating their business to another state or region or shifting investments because of the increased taxes. The response rate was over 22%. **More than 80% of those surveyed responded with a resounding “yes.”** The question and responses are displayed in the following pages.

About the Survey

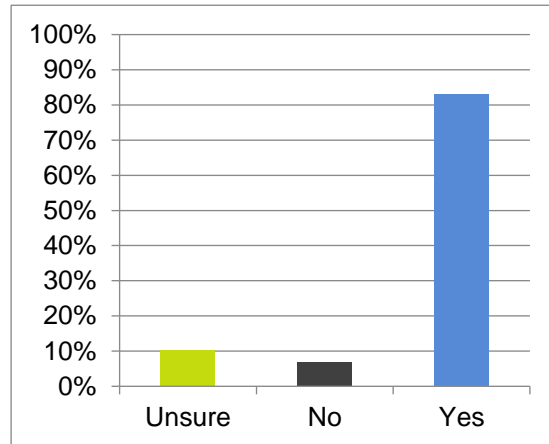
The survey was conducted in the spring and summer of 2021, and timed to coincide with tax season. Invitations to participate in the survey were done through email outreach from OBI, and the survey tool used was Survey Monkey. Invitations were sent to 365 certified public accountants and 110 local chamber of commerce leaders from every corner of Oregon. Approximately 34% of invited participants reside in or represent the Portland-Metropolitan area; 24% from Salem/Corvallis/Eugene areas; and 7% from the Bend/Redmond areas. The rest include all other areas of the state including the Oregon Coast, Roseburg, Grants Pass, Medford, Klamath Falls, Ontario and Pendleton.

Of the 475 survey invitations sent, 88 individuals responded for a response rate of 18.5%. While the survey does not purport to be a scientifically precise representation of Oregon accounting firms, it does provide a telling picture of what accountants were hearing from clients as they prepared their 2020 tax returns.

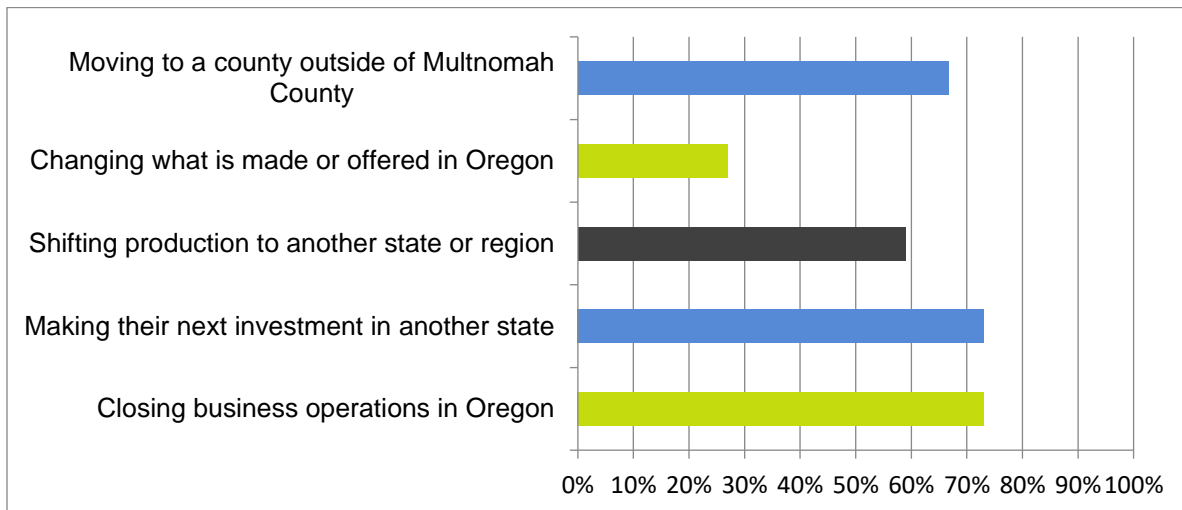
The Results

Q1 Are any of your business clients considering relocating their business to another state or region or shifting investments because of the increasing Oregon tax burden?

Survey respondents reported that their clients and members are finding they will have to pass on the cost of increased taxes on goods and services to their customers. This will negatively impact their competitiveness and is causing many who might have been considering additional investment (including hiring increases) in Oregon to pause or look elsewhere. Nearly all survey respondents noted the next 12-24 months will drive those outmigration decisions. Of those clients planning to leave, the biggest trend is businesses relocating from Multnomah County to Clackamas County, as well as from the state of Oregon to Southwest Washington, Texas, Nevada, and Idaho.



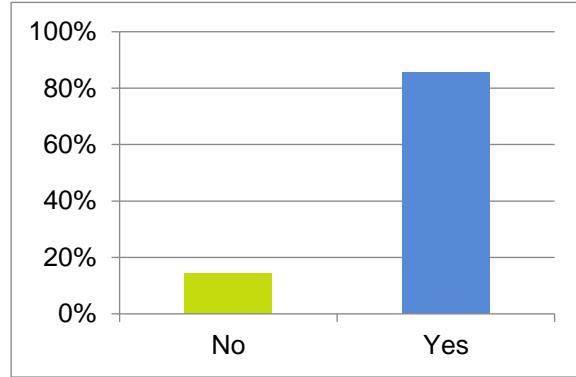
Q2 For those clients who have shared their intent to relocate, what are they considering?



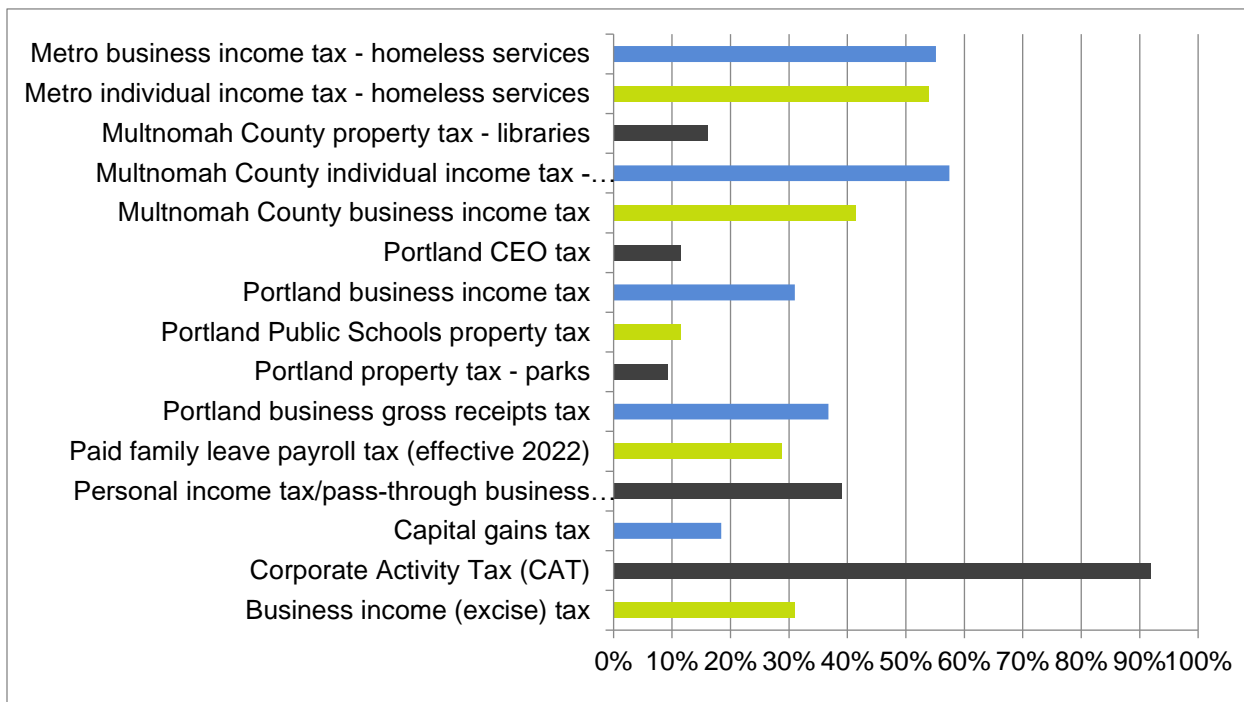
The new taxes aren't the only cost increases these companies are facing as result of the state policy changes. Administering and complying with the myriad new taxes and absorbing the cost of reporting has put the burden of tracking different systems and hiring additional staff on business owners – and their accountants. Businesses are finding that it is costing them more simply to track and process their tax obligations, which has become an additional catalyst for outmigration. Said one respondent, “*The cost of compliance alone with the new taxes, especially the corporate activities tax, has made it increasingly challenging. Many see these taxes as Oregon’s version of a sales tax. Many are passing that cost onto customers.*”

Q3 Do you have personal or individual tax clients who are considering outmigration or relocation because of increasing local income tax burdens?

Over 85% of responding accountants and chamber leaders also note that increased local and state tax burdens on individuals, personal property and personal income are also causing outmigration considerations or decisions.



Q4 Of the existing and new taxes, which ones are your business clients concerned about paying?



Reports from tax accountants and chamber leaders responding to the OBI survey found that the new Corporate Activity (CAT) is clearly generating the biggest concern among Oregon businesses. The fact that it was implemented at a time when the COVID-19 pandemic was causing widespread economic displacement drove home the reality that it is a tax on revenues, not profits, and businesses have to pay it even when they are losing money. But other taxes are clearly concerning business owners as well. The new personal income tax programs imposed by Metro, the Portland-area regional government, and Multnomah County are causing significant concern, as are rising (and new) business taxes levied by local jurisdictions.

Looked at in total, the accountant and chamber leader respondents reported that the sum total of these tax increases are causing concern among Oregon businesses and causing many to rethink their commitment to maintaining or growing their operations in this state.

Summary

OBI's 2021 survey of accountants and local chamber of commerce leaders clearly demonstrates that recent increases in taxes, at both the local and statewide level in Oregon, have created significant and unprecedented burdens on businesses. These burdens, in turn, are causing numerous businesses and individuals to consider leaving the region, leaving the state altogether, or forestalling investment, expansion or hiring decisions. The survey demonstrates that Oregon is at a tipping point, and that tax increases are doing harm to business retention, economic recovery and economic development efforts.

Based on these findings, it is OBI's strong belief that consideration of any new taxes (or increases of existing taxes) now and into the foreseeable future will only exacerbate the harm already clearly done to business retention and expansion efforts. As the state continues to recover from the COVID-19 pandemic and economic recession, we would urge policy leaders to look for ways to help businesses get back on their feet, and imposing new tax burden in the foreseeable future would be counter to that.