The Finding Funding Project #3

Another Business Fix
Drop two tax breaks for business owners

$183 million

Our Situation Now

Regrettably, back in 2013 Oregon legislators made the irrational move of **lowering our income tax rate on business owners** in not just one, but in two different ways. These were part of the Grand Bargain of that year. The PERS reforms part of that Bargain largely failed. These two tax breaks have also failed to serve Oregon.

The first break affected "pass-through income"—business income that is taxed on the owners' personal income taxes. For actively engaged business owners, the new rate reduced the tax by 2.7% to .9% on up to $5 million in profits annually. In September, one CPA testified that this benefit gave tax breaks of $6,000-$19,000 to his clients, any of which could have actually laid off employees and still received the tax break. A fellow CPA said the winner among his clients paid $60,000 less in taxes. This biennium, this business-owner tax break is expected to cost $177 million!

The second business-owner tax break affected "interest-charged domestic international sales corporations" (known as IC-DISC's). This break seems to go to businesses making huge sales of Oregon products abroad, such as pears and hazelnuts. Ending it would save another $6 million this biennium.

The Need

$177 million + $6 million = $183 million saved. Plus basic tax fairness.

It seems really outside the values of Oregonians to say that a business owner should pay taxes at a lower rate than his or her employees pay.

The Solution

End the pass-through income and IC-DISC tax breaks effective January 1, 2017.