



State Advocacy Update

2017 Legislative Report (Week 2)

This content is provided through our membership with the Oregon State Chamber of Commerce (OSCC). We are providing it to you our members so you can stay engaged with business impacting state legislation if you so choose. 70+ chambers are members of OSCC and are working together to advocate for our businesses at a state level.

The 2017 legislative session has concluded its second week at a very cautious pace. Only 200 or so additional bills were introduced in the past week, a far lesser amount than anticipated. Committees are not yet diving into controversial issues. But this week there are a handful of legislative committees that will be sticking their toes in the water on legislation that business will oppose.

Here's what we know from the past week:

There is not yet any sort of "master plan" to deal with the state's \$1.8 billion budget deficit. This will unfold slowly through negotiation and will likely take several months. Although Democrats hold substantial majorities in both the House and the Senate, they don't have the votes to pass either the necessary cuts, spending reforms, or potential taxes without Republican support. It will truly require bipartisan deal-making. At this stage, lawmakers are simply gathering information and learning how to work with each other.

Business is figuring out its role and trying to find its 'voice' in the budget debate. The organized business community has been clear about how it would advise lawmakers to balance the state's budget and set the state on a path to fiscal sustainability. First, grow the economy (including stopping additional regulatory burdens). Second, slow down the escalating costs in state government (including health care and PERS). Finally, add new revenue when the first two objectives have been dealt with in a meaningful way. Business groups are feeling their way along on how to strongly advocate its positions without undercutting legislative negotiations.

The public disclosure of "confidential" meetings between Senate President Peter Courtney, House Speaker Tina Kotek, and union and business leaders, was met with severe backlash from Republicans and many business groups.

Senate commitment to bipartisanship. This is potentially the most significant theme of 2017, and we'll be paying close attention to it all session. Senate President Peter Courtney (D-Salem) has committed the Senate to bipartisanship in 2017 that has the potential to derail many partisan issues that could potentially harm business. At this stage, Courtney has pledged that in order to build trust and cooperation around the herculean tasks of solving the state budget gap and passing a transportation funding package, the Senate will not advance any legislation that does not have support from members of both parties. This has the potential to forestall many pending labor, environmental and tax issues that business groups had feared could come to fruition in 2017. Stay tuned here...this commitment by Senate President Courtney could potentially stave off many 2017 threats to our local business communities.

Here's what's coming up this week:

PERS Hearings. The Senate Workforce committee will hold public hearings on the two most significant PERS reform bills introduced to date. **Senate Bill 559** calculates final average salary of PERS beneficiaries over five years instead of three. **Senate Bill 560** redirects future employee contributions out of the individual account program into the pension. This bill has the single biggest impact on reducing the PERS unfunded liabilities, but it's also totally unacceptable to the unions. The reason this hearing is significant is because both bills are considered Republican bills, and yet the committee is willing to give both bills a serious hearing. This indicates a seriousness about addressing PERS costs that seemed lacking from the Governor and legislative leadership in the months leading up to the legislative session.

Environmental Regulation Hearings. The Senate Environment & Natural Resources committee will take testimony this week on potential efforts to curb on-road and off-road diesel emissions. OSCC is closely monitoring this topic. Also, the committee will hear testimony on the "Cleaner Air Oregon" regulatory initiative that OSCC is also closely monitoring. OSCC fears that "Cleaner Air Oregon" regulations have the potential to shut down local manufacturing in Oregon due to regulations that cannot be met.

Property Tax Reform Hearings. The Senate Finance & Revenue Committee will conduct hearings on property tax reform which would likely have the effect of accelerating values and property taxes for industrial properties. The reforms being floated by Chair Mark Hass (D-Beaverton) contemplate repealing Measure 50 and requiring property taxes to be assessed on real market value instead of assessed value (which can only increase 3% per year). Hass proposes this switch, in conjunction with a sizable homestead exemption, to effectively lower property taxes for homeowners and increase property taxes for commercial and industrial properties. The legislation being considered here is SJR 3.

Small Business Tax Cut Repeal. Another issue being considered this week in the Senate Finance & Revenue Committee is the effective repeal of the "small business tax cut" passed by the 2013 legislature. The tax cut was designed to give pass-through businesses (S corps, LLCs, partnerships) a lower tax rate starting at 7% instead of the 9% that was previously levied on these businesses. **Senate Bill 165** would only allow small businesses to utilize this lower tax rate if they show employment and wage gains

year over year. OSCC will oppose this legislation. It appears to be a backdoor repeal of the small business tax bracket.

Business Tax Reform. The House Revenue Committee will hold hearings all week on 'business tax reform,' whatever that means. Presumably, it means how to increase taxes on Oregon business, but we will know more after this week's hearings.

House Business & Labor Committee Will Take Up Labor Issues. The historically anti-business House Business & Labor Committee will take up controversial legislation this week when it holds hearings on **House Bill 2167**, which would make an "abusive work environment" an unlawful employment practice, and **House Bill 2180**, which would allow for liens against employer real and personal property by claimants alleging unpaid wages. These bills would be detrimental to local businesses.

Of particular interest to OSCC members:

- **HB 2875** would add a new five cent per pound tax on ground coffee beans to be levied at the wholesale level. This is first time OSCC has ever seen this tax proposal.
- **HB 2876** would add a new 13 percent tax rate for income above \$250,000. This is a significant issue for small business as business income is typically taxed at the personal income tax rates.
- **HB 2877** would enact a new \$1,000 tax on vehicles over 20 years old. Again, this is the very first time that OSCC has ever seen this specific tax proposal.