

Larry's Tax Law

The Dream of a Gross Receipts Tax Is Alive in Oregon

By Larry Brant on 5.26.17 | Posted in Business Taxes, Corporate Tax, Legislation, Tax Laws

After Oregon Measure 97's drubbing at the polls in November 2016, for many, it suggested the quashing of any notion of a gross receipts tax in the state. For Oregon Senator Mark Hass (D) and Representative Mark Johnson (R), it got them thinking creatively about alternatives to such an approach, spawning Legislative Concept 3548, and subsequently, the births of Senate Joint Resolution 41 and House Bill 2230. Both resemble the now defunct Measure 97—and in the same way can be viewed as a hidden sales tax, essentially. While finding a palatable path to reform is certainly a tall order, the new tax proposals could pose a serious threat to the Oregon business community and present a thorny solution to addressing the state's budgetary needs.

In an April 2017 *State Tax Notes* article, titled "[The Idea That Would Not Die: Beyond Oregon's Measure 97](#)," my colleague Michelle DeLappe and I discuss these new Oregon tax proposals and their key differences with Measure 97, the benefits and shortcomings of a gross receipts tax, and the likelihood of a gross receipts tax in Oregon becoming a reality.

Genesis of a New Tax Plan

Since publication of our April *State Tax Notes* article, Senator Hass has reported that he is close to introducing a **new** plan to totally replace the Oregon business tax system. He says the proposal contains a business tax based on sales over \$3 million (so, it's not really a new plan). The proposal, however, gives low and middle class Oregonians a personal income tax cut or credit to offset increased consumer prices that will likely follow the implementation of the new business tax (this part of his plan may be new but it is clearly aimed at one thing—attracting voter appeal).

Senator Hass further reports his new gross receipts tax would have two tax rates. A lower tax rate would apply to manufacturers, wholesalers and retailers, while personal service providers (such as physicians, healthcare providers, attorneys, accountants, architects, and realtors) would be faced with a higher rate.

Senator Hass believes his **new** proposal will not hurt the Oregon economy. I am not so sure of that conclusion. **Caution!**

Like prior tax proposals promoted by Senator Hass, lots of unanswered questions follow.

- Would businesses with gross sales under \$3 million totally escape Oregon tax under his proposal? If so, why?
- What policy supports taxing personal service providers (on a gross receipts basis) at a higher rate than manufacturers, wholesalers and retailers?
- How does the proposed tax impact businesses with high gross sales but with low net profits?
- Will such a tax impact a business's decision whether to come to Oregon when it can choose a more tax friendly state?
- Will a proposal like the one Senator Hass is now touting impact the number of jobs available to Oregonians?
- Will the lower personal tax rates be permanent, or can lawmakers raise them down the road once the dust settles?

I am looking forward to seeing the answers to these basic questions.

It is hard to debate the statement that we need to adequately fund our schools, police, fire and other government services. ***Is a gross receipts tax the best way to accomplish that?***

It seems that some of our local lawmakers are stuck on this one theme – getting a gross receipts tax passed. The voters made it clear with the demise of Measure 97 that they do not want a gross receipts tax in Oregon. Rather than listen to the voters and look for viable alternatives to fund our schools, police, fire and other government services, it appears the same tax is once again being presented, but this time, it has been repackaged with new wrapping paper (lower personal income tax rates that may be temporary) to obtain broader voter appeal.

We are living in interesting times!

Tags: gross receipts tax, House Bill 2230 (H.B. 2230), Legislative Concept 3548 (LC 3548), Measure 97, Oregon Tax Laws, Representative Mark Johnson, Senate Joint Resolution 41 (S.J.R. 41), Senator Mark Hass, Tax Planning, Tax Procedure