

OPINION PIECE FOR THE MEDIA:

SMALL BUSINESS TO PAY MORE THAN 100% INCREASE IN BUSINESS TAX

Just when we thought it was safe to go back into our businesses we discover we are being assaulted with yet another onerous tax, that will be economically devastating for many sole proprietors and small corporations doing business in the City of Portland. In September, Portland City Council will vote on a proposed ordinance that will shift the way the existing BIT/BLF is calculated and will add a tax on payroll. Three of us local business owners used the City's Business Calculation sheet posted on the web at www.pdxbl.org and this is what it looks like for our very diverse businesses: a restaurant with twenty six employees will see a 118% increase, a creative service business 164%, and a property management company 243% in just this tax alone. This is in addition to the business surcharge recently levied by the City and of course, the recent addition of an income tax in Multnomah County.

As small business owners, we are acutely aware of the need for good schools and high performance standards for students. We draw many of our employees from student bodies of our local schools. We create jobs through our very existence and will add more jobs if we grow and thrive. However, we believe this proposed tax on payroll, will do more harm than good by negatively impacting the very source of a healthy community – small business. The tax shift will harm local manufacturers, retail businesses, grocery stores, restaurants and hotels forcing them to cut jobs (maybe yours) and pass costs onto consumers. A tax on payroll in no way reflects a business' ability to pay the tax and is in fact, a tax on an expense, not income and that is bad business. We constantly hear how important jobs are to our City's economy. However, with this proposal, the businesses creating the most jobs will get hit the hardest. How will the elimination of private sector jobs ever help the City/County budget provide essential City services? The mere creation of this proposed tax shift will add costs for collection and compliance (not to mention the chaos we have recently witnessed at the County level.)

We are not lobbying for a reduction in taxes. A cut in taxes would be nice but not at the expense of essential public services. What we do want is fairness. This proposal was born out of frustration by some businesses that find the existing BIT/BLF formula overwhelmingly oppressive. But the answer is not to shift the burden onto other businesses. Businesses large and small are all facing tough economic burdens. We all are feeling the impacts of rising gasoline prices, increases in minimum wage, health benefits, insurance rates, utility costs, and all of the other taxes and fees we each pay.

All business owners licensed by the City of Portland and/or Multnomah County doing business in the City and/or County must fill out a Business Payroll Information Form that is due back to the Bureau of Licenses by June 30. Also, if you have not yet used the proposed tax reform calculation form to see how this new tax structure will affect your business, we urge you to do so now. Again, the Business Payroll Information Form and the calculation form are available from the Bureau of Licenses or through their web site www.pdxbl.org. The information you submit from these two forms could very well be the catalyst that will influence our elected officials to put an end to this proposed taxation

inequity before more businesses and jobs are lost. This is your golden opportunity to help mold the profile of your taxing mechanism.

This letter is being submitted for your consideration by the City Small Business Advisory Council (SBAC), providing an organized voice for small business with the Portland City Council. The goal of the SBAC is to promote a customer-centered business climate within the City of Portland through well-informed organized advocacy.

If you would like to speak to a SBAC member directly or have questions, please contact Jennifer Johnson Nolfi at (503) 823-0271 or nolfij@pdc.us.

Sincerely,

The City Small Business Advisory Council
C/o Jennifer Johnson Nolfi
Small Business Advocate
Portland Development Commission
1900 SW 4th Ave., 7th Floor
Portland, OR 97201

OPINION PIECE FOR THE MEDIA (SHORT VERSION)

We are owners of small businesses in Portland and members of the Small Business Advisory Council (SBAC) for the City of Portland. The Council was formed to provide an organized voice for small business to communicate to the City about policies that may positively or adversely affect small businesses and to serve as a sounding board for the City and PDC on matters which may impact small businesses. It is also the SBAC's intent to play a role in integrating small business elements of the City's Economic Development Strategy. The Council is comprised of 19 owners and managers of diverse small businesses operating in Portland.

Small business owners are acutely aware of the need for quality schools, as we draw many of our employees from our local school system. We create additional jobs as we grow and thrive. While it is not often recognized, we also pay taxes which support schools, public safety and other public services for use by all who live and work here, in addition to providing employment and goods and services needed by the community. Financial support for schools has been co-mingled with another proposal to fundamentally shift how business income/license taxes are imposed. The tax shift, in the form of a tax on payroll, will *impact* local manufacturers, retail businesses, grocery stores, restaurants and hotels and may affect their ability to compete successfully. Furthermore, this potential tax shift will create new costs for compliance, thus diluting total revenues being invested by us to support essential services.

We are not lobbying for a reduction in taxes. A cut in taxes would be nice but not at the expense of essential public services. What we want is fairness. The proposed increase and shift in taxes hits us hard and in a very difficult economic environment. Businesses large and small are already shouldering the impact of increases in gasoline prices, minimum wage, health care benefits, utility costs and other taxes and fees.

As many citizens recognized in a recent poll about increasing business taxes, small businesses have no recourse but to reduce employment and pass costs on to consumers. Roughly two thirds of employers in Portland have less than 50 employees. The tax proposals will affect any firm doing business in Portland; not just those located in the

City. Citizens are justifiably concerned about the implications for the community as a whole.

This is not a simple matter. A sound school system is critical to the health of our community. Jobs are also crucial, as are the other benefits that businesses infuse in Portland, including the taxes they pay. It is important to look at the tax proposals' unintended consequences to ensure that we are not adding to our challenges rather than solving the issues of school funding and fairness in taxation.

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