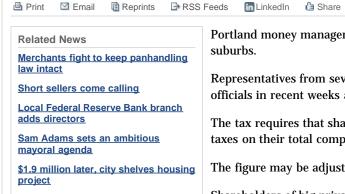
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Money managers might flee to suburbs

Firms want City Hall to reduce onerous tax

Portland Business Journal - by Andy Giegerich Business Journal staff writer



Portland money managers say if city leaders don't change an onerous tax rule they might flee to the suburbs.

Representatives from several financial firms and the **Portland Business Alliance** met with elected officials in recent weeks and hope to bring the issue to a City Council vote.

The tax requires that shareholders who own 5 percent or more of a firm must pay city and county taxes on their total compensation above \$80,000.

The figure may be adjusted to reflect the percent of sales made outside city and county boundaries.

Shareholders of big private companies who own less than 5 percent of the company, such as national

investment firms, don't pay any such tax on total compensation.

The city declined to say how much money the tax brings in annually, but it's thought to be in excess of \$1 million.

One financial executive said firms can easily pay taxes in excess of \$200,000, much higher than the \$2,000 tab paid by most city and county businesses.

Comments

The tax is partly responsible for at least one firm leaving the city. **Jensen Investment Management**, which manages \$2.45 billion in assets, moved to Lake Oswego in April 2008.

Bernie Bottomly, the Portland Business Alliance's vice president of government relations, wouldn't give specifics on changes sought by the financial community.

City and county leaders told Bottomly that they want the financial firms, which contribute millions to the region's economy, to remain downtown.

The firms are working with Portland Mayor Sam Adams on their proposal and hope to reach an agreement in the next two weeks.

"It's still an embryonic concept, but I'm open to the notion of helping keep good employers down here during a down economy," said City Commissioner Nick Fish. "These are good corporate citizens who pay high employee wages."

Fish and Multnomah County Chairman Ted Wheeler cautioned that any such reform must provide guarantees for the city and county.

The two want provisions that ensure companies remain in Portland for the long-term.

"Certainly, these firms pay large amounts of taxes," Wheeler said. "But everybody wants to keep these jobs in Portland. The question is, can we find something that's fair for these firms that doesn't jeopardize the fairness of the overall tax structure?"

Steve Holwerda, principal and chief operating officer for **Ferguson Wellman Capital Management Inc.**, said his firm wants to stay downtown.

Ferguson Wellman's lease, fortified by a **Portland Development Commission** forgivable loan that paid for a year's rent, expires in 2015.

"We looked seriously at moving out of downtown four years ago solely because of the tax," said Holwerda, a past Portland Business Alliance chairman. "We like being downtown and want to stay downtown, just like so many other firms, but at some point it makes no economic sense."

Holwerda, whose firm managed \$2.2 billion worth of assets in 2008, said the reform proposal likely won't eradicate the tax altogether.

"Reducing an onerous tax to receive 30 percent of something is a lot better than watching the companies move away and getting 100 percent of nothing," he said.

Ferguson Wellman, which employs 40 people, paid roughly \$130,000 in business income taxes and license fees in 2007.

City Commissioner Amanda Fritz, who met with Bottomly and others on the matter in August, said the group made a compelling case.

"(Adams) has been working on the fairness of the business income tax for a long time," she said. "It's appropriate to make sure these companies stay in town, rather than move to Kruse Way (in Lake Oswego) or elsewhere."

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