Chair Burdick, Vice-chair Boquist and members of the Committee:

For the record, my name is Anthony Smith, Oregon state director for the National Federation of Independent Business, representing thousands of small businesses across the state, many being the smallest of small businesses, but it's the 20% of our members with 10-24 employees and the 10% of our members with 25 or more employees that I want to focus on today.

Madame Chair, I appear before you today adamantly opposed to the -2 amendments to Senate Bill 137 because hundreds of NFIB members in all types of industry sectors around the state would see their forgiven PPP loans taxed under this proposal.

Most PPP loans were calculated by multiplying your average monthly payroll by 2.5 – and I'll just quickly note that businesses in the Accommodation and Food Services sector were allowed to use a 3.5 multiplier for their second draws.

I'm no math expert, but I wanted to quickly illustrate how setting a PPP loan amount threshold of $100,000 would impact small businesses in different parts of the state, based on Oregon's three-tiered minimum wage system.

- In rural Oregon, a business could have no more than 21 FTE's before reaching the $100,000 threshold. ($11.50/hr x 40 hrs x 4 wks x 21 employees x 2.5 = $96,600)

- In the standard-rate counties, a business could have no more than 20 FTE's before reaching $100,000. ($12/hr x 40 hrs x 4 wks x 20 employees x 2.5 = $96,000)

- And for the Portland-metro region, a business could have no more than 18 FTE's before reaching $100,000. ($13.25/hr x 40 hrs x 4 wks x 18 employees x 2.5 = $95,400)

These figures simply define the theoretical numbers, and they don't include other qualifying payroll costs like benefits or factor-in second draws. In reality, we know that the vast majority of businesses pay employees more than minimum wage, and that's especially true right now, when nationally, a record-high 44% of our members have job openings that they are unable to fill due to a number of factors arising from the pandemic. This is all to say that hundreds of NFIB members and thousands of other Oregon small businesses with fewer than 25 employees will see a tax increase under the -2's.

Setting any threshold, let alone a threshold like $100,000, will penalize Oregon businesses based on the number of people they employ – and ironically, the more you pay your employees, the higher the tax penalty.

Congress expressly prohibited taxing PPP funds because the whole purpose of the program was to keep as many people as possible on payroll and off unemployment at a time when unemployment claims in every state, including Oregon, were seeing their UI systems stressed to the breaking point.

Additionally, this influx on federal dollars has already provided the state with a significant revenue boost. Over $10 billion in PPP funding has been allocated to Oregon businesses, with the vast majority of those dollars going directly to payroll. I'll leave it to LRO to do the math on that, but it's probably safe to say that this translates to hundreds of millions on dollars in personal income taxes paid to the state from employees whose employers were able to access PPP funding.

And this leads into my final point, which is that last week's revenue forecast was incredibly strong, projecting a $2.8 billion positive ending balance. This amounts to a $1.1 billion increase from the March Revenue Forecast and a $2.3 billion increase from the 2019 Close of Session Forecast. The state has also been allocated $2.6 billion in direct financial aid from the Biden Administration's American Rescue Plan Act of 2021, in addition to ARPA funds for local jurisdictions. Given this, there is no budgetary justification for tax increases of any sort, including taxation of forgiven PPP loans.

NFIB urges the committee to oppose the -2 amendments to SB 137.