

A Letter from Oregon's Business Community

Oppose the -2 Amendments to SB 137:

A Surprise Tax Increase on Oregon Small Businesses

The -2 amendments propose a tax on Paycheck Protection Program funds

State coffers are overflowing; the state does not need this money

Background – In response to the COVID-19 pandemic, Congress recognized the financial hardships families and businesses have experienced due to sudden job losses and business closures by passing the CARES Act last year with overwhelming bipartisan support. Among other essential provisions, the CARES Act authorized the creation of the Paycheck Protection Program (PPP), a federal lifeline for both employers and employees that provided temporary and limited funding to small businesses (fewer than 500 employees) in the form of loans that would be fully forgiven if used for authorized purposes like payroll, rent, and utilities.

Kept Employees on Payroll, Off Unemployment – PPP funds were intended to keep as many employees on payroll as possible when states were experiencing massive spikes in unemployment benefit claims due to the government-ordered business closures and other impacts of the pandemic. Congress was clear that these funds should not be considered income, and after the IRS issued a ruling that these funds would not be allowed as regular deductible business expenses, Congress responded by expressly fixing this unintended consequence with the passage of the Consolidated Appropriations Act of 2020.

A Surprise Tax Increase – SB 137-2 would require forgiven PPP loan amounts in excess of \$100,000 be added back as “taxable income” for Oregon businesses that used the program exactly the way it was intended. It is an unfair, retroactive tax increase on Oregon small businesses at time when Oregon is already projected to bring in more revenue than ever before. The Legislative Revenue Office estimates this unnecessary tax increase will cost Oregon businesses \$450-\$600 million.

Oregon does not need the money – The May 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.

Protect Oregon Businesses - Oppose the -2 amendments to SB 137

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