

**From:** [Jeff Newgard](#)  
**To:** [Council Clerk – Testimony](#)  
**Subject:** Written Testimony | Agenda Item No. 772 | Smart Growth Coalition  
**Date:** Wednesday, September 21, 2022 7:03:13 AM  
**Attachments:** [SGC Portland City Council Tax Conformity Amendments.pdf](#)

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Good morning,

Please see attached for written testimony from the Smart Growth Coalition regarding Agenda Item No. 772 (business license law code). Please let me know if you have any questions or if this letter was sent to the wrong address.

Thank you.

Jeff



**JEFF NEWGARD**  
Principal



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September 21, 2022

Portland City Council  
1221 SW Fourth Avenue  
Portland, OR 9720

*Sent electronically*

## **RE: Support for the Portland City Council's Tax Conformity Ordinance**

Dear Mayor Wheeler and Members of the City Council,

Thank you for the opportunity to submit these comments in support of Agenda Item No. 772 (Amend Business License Law Code related to the apportionment and allocation of income). This ordinance is the byproduct of years of work and collaboration between the Revenue Division, local jurisdictions, and taxpayers. Although there are additional steps the city could, and should, take to align its tax code to the state, the current ordinance represents a significant step forward in simplifying tax compliance and eliminating a tax preference for businesses outside the area.

### **About the Smart Growth Coalition**

The Smart Growth Coalition is a consortium of traded sector businesses with significant operations in Oregon. Our coalition was formed in 1999 to add technical expertise to state legislative proceedings regarding proposed reforms to state tax law affecting businesses who have made investments in jobs and capital projects in the state. Our members are unified in their commitment to sound tax policies that encourage investment in Oregon and provide technical simplicity and clarity to the state tax code.

### **Support for the City's Tax Conformity Ordinance**

We applaud the city's embrace of the state's market-sourcing regime and other rules for attributing income to the jurisdiction. Under the new policy, businesses will source income from services and other intangibles to the location of their customers. In contrast, the current policy requires firms to pay tax according to the location of their income-producing

activity. Thus, a business operating in Vancouver but selling services in Portland may owe less than a Portland business selling in Vancouver, creating a counterintuitive incentive for a firm to locate outside the city. By attributing sales to the district according to a customer's location, the city would no longer penalize our local businesses for calling Portland home.

Besides eliminating an onerous tax burden on local employers, the policy also has a track record of raising revenue. In 2017, Oregon adopted the same policy as this ordinance and the result was a robust increase in tax collections. In fact, the Oregon Office of Economic Analysis attributes the state's structural boom in corporate tax collections to the policy shift. The advantage of taxing companies based on the location of their customers is that it broadens the tax base toward firms outside the area. Since more companies are selling into, rather than from, Portland, the policy will raise revenue for local services.

As previously stated, the ordinance makes significant progress in simplifying the local tax structure and eliminating a policy preference for out-of-area businesses. Still, the ordinance needs clarity to function as intended. We look forward to engaging in a productive conversation with the Revenue Division to help clarify the regulatory intent of the ordinance. Additionally, we hope the city will continue conversations with the taxpayer community about other areas to reduce burdens for taxpayers, such as aligning the special apportionment rules and reforming enforcement policies more closely to the state.

### **Conclusion**

While there remains more maintenance on the Portland area's tax structure, this ordinance is a substantial step in the right direction. We applaud the efforts of the Mayor's Office and Revenue Division to bring these proposals forward and we look forward to future conversations.

If you have any questions or wish to discuss our comments, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, reading "Jeff Newgard". The signature is fluid and cursive, with the first name "Jeff" and last name "Newgard" clearly legible.

Jeff Newgard

Smart Growth Coalition

**City Council Meeting - Wednesday, September 21, 2022 9:30 a.m.**

<b>Agenda No.</b>	<b>First Name</b>	<b>Last Name</b>
772-01	Andrew	Hoan
772-02	Robert	Butler