

For some business owners, tax deduction impacts bottom line

By **CLAIRE WITHYCOMBE**
Capital Bureau

SALEM — The deadline for Oregon Gov. Kate Brown to make a decision on a controversial tax bill is approaching, and Dave Berchtold has an eye on the time.

Berchtold, the owner of Salem Clock Shop in Oregon's capital city, says he is "120 percent opposed" to a bill that would prevent certain business owners from taking a new federal tax break on their Oregon taxes.

Oregon largely connects to the federal tax code, so federal deductions are generally available on state tax returns unless those provisions are specifically disconnected from Oregon law.

Lawmakers passed a bill this session that "disconnected" the new deduction, which applies to certain so-called "pass-through" businesses such as Berchtold's.

A pass-through business is an entity whose business income "passes through" to owners', partners' or shareholders' personal tax returns.

Berchtold says he'd benefit if the governor vetoes Senate Bill 1528. In that case, the longtime owner of the clock sales and repair shop could subtract 20 percent from his qualifying business income before paying state taxes.

Berchtold isn't hopeful about the veto's chances, but says he'd use the extra money to build up his bank account, and possibly invest in more products. He has three employees.

"It doesn't belong to (the governor)," Berchtold said. "All she'll do is spend it."

Brown, a Democrat up for reelection in November, is expected to state her intentions on the bill next week. It was passed in the waning days of the short session to blunt the impact of the recent federal tax overhaul on Oregon's revenues.

The issue has galvanized many members of the state's business community and, petitioners say, is providing fuel to a 2018 ballot measure aiming to change the number of votes required to pass revenue-related measures in the Legislature.

Opponents of SB 1528 contend that disallowing the deduction could hurt their bottom line.

"(The bill) denies \$180 million in tax relief to small business that would otherwise be due under federal law," the Salem Area Chamber of Commerce said in an email. "That hurts small business and it hurts our



Dave Berchtold, owner of Salem Clock Shop, opposes the legislature's efforts to disallow a federal tax deduction for certain business owners from their state taxes.

Claire Withycombe/Capital Bureau

local economy. The Chamber represents hundreds of small businesses with bottom lines that are directly impacted by this."

Joshua Kay, a broker with First Commercial Real Estate Services in Salem, said in an email last week that he hoped the governor would veto the bill.

"That 20 percent deduction is critical, and makes a dramatic difference for the bottom line of all entities affected," Kay wrote. "...I believe whole heartedly Oregon's employers would like to retain that revenue to reinvest back into their business, employees and their community. That's what I'm doing with those savings."

Jason Williams said the bill also happens to be a prime example of the kind of legislation he would like to make harder for lawmakers to pass.

Williams, the founder and executive director of the Taxpayers' Association of Oregon, is working with other groups to collect signa-

tures for a statewide ballot measure that, if successful, would change what types of revenue-related measures require a 60 percent majority vote in each chamber of the Legislature.

The measure would amend the constitution to require that all fee and tax increases, credits, exemptions and deductions receive a three-fifths majority vote to pass.

Williams contends that even significant changes to the amount of taxes Oregonians pay, such as tweaks to a deduction, can pass more easily because they've been interpreted to require merely a simple majority.

"It's hard for a lot of people to understand the full ramifications of it, but that's what they're doing now, they're raising taxes through the back door (and) bypassing the state's three-fifths majority, and this tax just did it," Williams said.

On the flip side of the debate, the bill was lauded by groups such as Tax Fairness

Oregon and the Tax Policy Foundation.

"No business currently receives this deduction in Oregon," wrote Nicole Kaeding, the foundation's director of special projects. "Preventing it from existing in the state doesn't cause a tax increase."

Additionally, Kaeding wrote, while the measure was touted as harmful to small business, pass-through entities now come in "all shapes and sizes."

Lawmakers who supported the bill also said that passing the bill preserved key state services that depend on income tax revenue that the state would have received if Congress hadn't created the deduction. And, they argued, the deduction would largely benefit the state's top income earners.

Disconnecting the deduction is expected to raise \$244 million in the state's current two-year budget.

The deadline for the governor to sign the bill is April 13.



The Boardman power plant is up and running on coal.

No decision yet on future of Boardman coal plant

By **JAYATI RAMAKRISHNAN**
East Oregonian

material that can then be used at electrical generating facilities.

Though their neighbors in Grant County will soon open a torrefaction plant, no such confirmation has been made for the Portland General Electric coal plant in Boardman.

The facility, which PGE has stated will stop using coal by December 2020, has yet to decide how or if the plant will produce power after that date.

Brianne Hyder, a PGE spokesperson, said the company is still conducting tests to see if biomass is an option.

Torrefaction is the process of converting biomass material, such as wood, into a coal-like

"Research and development efforts continued in 2017, with several test burns with biomass pellets," she said. "We proved that the plant could operate at 100 percent biomass."

She said following those efforts, PGE is continuing to research options and air permits. She said while a recent story about the torrefaction plant slated for development in John Day said a similar option had fallen through in Boardman, the company has not yet made a decision.

"We've announced we'll stop using coal by 2020, but no other determinations have been made yet," she said.

Get "The Dirt on Dirt" at OMSI event in Pendleton

Pendleton residents can get a taste of OMSI next month, when the Portland-based Oregon Museum of Science and Industry hosts an event at the Oregon Grain Growers Distillery.

OMSI will feature a one-night Science Pub, an event that brings science discussions to various locations around Oregon. The Pendleton event, scheduled for April 4 at 7 p.m., will focus on how the Inland Northwest's soil

and climate contribute to a productive environment for growing wheat. The event will include trivia, a science talk, and a question-and-answer with the speaker, Stewart Wuest. A Pendleton resident, Wuest is an agricultural researcher whose work focuses on developing methods to help Pacific Northwest farmers eliminate soil erosion, and continue sustainable food production.

A \$5 donation is suggested for the event.

CAPECO expands aging services to seven counties

PENDLETON — The state selected the Community Action Program of East Central Oregon to serve seniors in Hood River, Wasco, Sherman, Gilliam and Wheeler counties.

The Oregon Department of Human Services announced the move last week. The agency's Aging and People with Disabilities program designates the Area Agency on Aging provers in the state under the Older Americans Act to offer services that help older adults remain in their homes. CAPECO already administers the program in Umatilla and Morrow counties and provides other services to Gilliam and Wheeler counties.

Paula Hall, CEO of CAPECO, said in the written announcement the charitable nonprofit created and maintained partnerships to serve older adults and is looking forward to its expanded role.

"We will work with the local communities in the counties we serve to build programs that maintain local control, but also ensure older adults receive the support they need," she said.

The Aging and People with Disabilities program sought a new entity to

assume the role of the AAA in Hood River, Wasco, Sherman, Gilliam and Wheeler counties when the Mid-Columbia Council of Governments announced it would cease providing services under all its programs this past fall.

Aging and People with Disabilities assumed administration of the AAA on Feb. 1 and will continue in the role until CAPECO takes the helm on or about Sept. 1. The state agency also announced it will hold public meetings and seek public comment on the change in service-area boundaries for the seven counties.

Oregon wildlife officials mull rollbacks on license fees



MEDFORD (AP) — State fish and wildlife officials are considering dropping a fee increase for Oregon fishing and hunting licenses that takes effect in 2021.

The Oregon Department of Fish and Wildlife also may roll back some fees next year after revenues exceeded expectations, the *Mail Tribune* reported Thursday.

The department is drafting its next two-year budget, which includes options to cut the fees or enact the increases as planned and direct that revenue toward enhancing current programs.

Other possibilities for the

budget include cutting some 2019 costs for licenses, which were increased under a three-step fee hike enacted by the state Legislature in 2015.

"We've said if we ever have an opportunity to roll back our fee increases, we'd do it," said Michael Finley, chair of the Oregon Fish and Wildlife Commission. "Right now there's good intent to do that, but it's really preliminary."

About \$6 million would be added to agency's budget if it seeks to keep the fee increases intact, said Roger Fuhrman, administrator of the department's Information and Education Division.

The agency is also considering requesting general-fund money from the Legislature to expand certain projects. Under this option, the agency's current budget of about \$375 million would increase to about \$420 million, Fuhrman said.

Despite what the agency decides for the next budget, it would likely seek a license fee increase in a later budget cycle, Fuhrman said.

The agency is scheduled to begin public meetings on its draft budget proposal next month. A final proposal will be sent to the governor's office during the summer, and it will go before the state Legislature next year.

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