

Exempt ag from corporate activity tax

Since it was passed by the Oregon Legislature last year as part of its education reform package, we've been hearing producers and vendors express concerns over the state's corporate activity tax.

The tax requires businesses that generate more than \$1 million annually to pay in addition to their regular income tax a 0.57% tax on that "excess" revenue. It is expected to raise \$2.8 billion over the 2021-2023 biennium for schools.

It is a gross receipts tax. The plan is similar to the ill-fated Measure 97, an initiative petition voted down in 2016 that would have imposed on "C" corporations an additional 2.5% tax on gross receipts from sales in Oregon exceeding \$25 million. It would have raised \$3 billion per two-year budget cycle.

While the corporate activity tax is only slightly less ambitious than Measure 97 in terms of the revenue it seeks to raise, it sweeps far more businesses into its net. C and S corporations, partnerships, sole proprietorships and other entities are subject to the tax.

And any business that generates \$750,000 in revenue must register with the Oregon Department of Revenue.

Advocates like the gross receipts tax because they claim businesses use recognized deductions to avoid

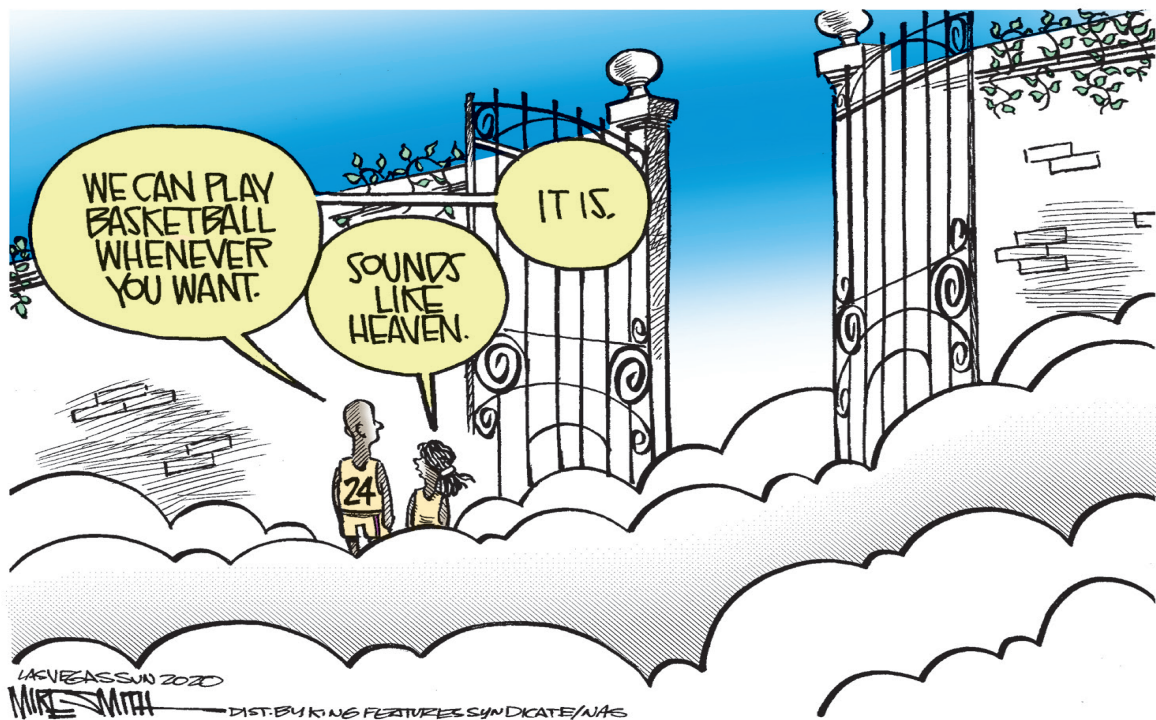
corporate income taxes. The biggest problem with a gross receipts tax is that it must be paid regardless of whether the business in question makes a profit. High-volume, low-margin businesses such as farming can be on the hook for a big tax bill without making a dime.

The impact of the tax is cumulative, with each vendor in a supply chain adding to its price to help cover the cost. The end user of a product — a farmer with a piece of farm machinery — pays the full load without necessarily being able to pass that expense along to whoever buys the crop.

The legislature exempted out-of-state sales. In theory that should work in favor of Oregon agriculture, which sends as much as 80% of its product out of the state. But in reality, agricultural exports are often commingled — such as grain or berries that are sold to the same processor or wholesaler. That makes it difficult to certify what is actually exempt from the tax at the farm level.

The Oregon Farm Bureau is lobbying to get the legislature to exempt agriculture from the tax. That would clear up the confusion and would also create an even playing field between producers who often don't have a say on where their products are sold.

We wish it luck, for once the state latches onto a tax dollar it is loath to let it go.



GUEST COMMENT

A pig is a pig



Sen. Bill Hansell

It's no secret that my Democratic colleagues in the State Senate want to pass a cap-and-trade bill this year (SB 1530). They tried last year with HB 2020, but were unsuccessful. They've been working since then to try and come up with a better version of the proposal.

We got the first real look at their new version this past week, and while there are some improvements, I'm sorry to say it's closer to putting lipstick on a pig — no disrespect to pigs — than anything that deserves the legislature's support.

One of the biggest issues with last year's cap-and-trade proposal was the significant increase in gas prices that would come as a result of the program. Estimates provided by the nonpartisan Legislative Revenue Office showed the program would raise prices by 22 cents per gallon in the first year of the program alone. For rural communities like ours, such a significant increase would have had a negative impact. Rural residents travel significantly more miles per year than urban residents, and our farmers and ranchers need fuel to run their operations. There's no question these cost increases would have been devastating for many in our area.

Supporters of cap and trade, to their credit, have attempted to address this concern in the latest draft of the bill, but I'm afraid they've come up short. Their solution amounts to an empty exemption for rural Oregon. It's more likely to create a bureaucratic headache for fuel companies, and it's not clear the fuels scheme in the cap-and-trade bill would even work in the first place. We can't afford to roll the dice with this. The stakes are just too high.

I'm also worried about the

impact cap and trade would have on propane prices. Many families in our community rely on propane to heat their homes and run their farms. The latest version of cap-and-trade bill would have increased propane rates by a minimum of \$0.16 per gallon in year one. While the bill includes some protections for natural gas and electricity customers, it includes no protections for propane customers.

And there's no question families in our community will see their utility bills increase steadily over time. Can you imagine forcing our friends and neighbors, particularly those who are struggling to make ends meet, to pay higher heating bills in the middle of winter? It's unconscionable.

The latest bill also made some changes to some key governance administration provisions of the program. More specifically, the new proposal would transfer authority over the program to unelected bureaucrats at the Department of Environmental Quality. These unelected representatives would be given tremendous regulatory authority over huge sectors of our economy with almost no accountability for their decisions. What's worse, the cap-and-trade program would raise hundreds of millions of dollars on the backs of businesses and workers with no detailed plan for how those dollars would be managed. As a member of the Legislature's Ways & Means budget committee, this is troubling to me. I believe we have a responsibility to Oregonians to manage taxpayer dollars with extreme discretion. This

latest proposal clearly fails in that regard.

Finally, short sessions like the one beginning in February were explicitly created so lawmakers could make minor budget fixes and policy tweaks to laws passed in previous years. That's it. There is not enough time in a short session for lawmakers to adequately review complex legislation or ensure there are no critical mistakes. There is also no way someone from Pendleton can make it all the way to Salem on one hour's notice to testify on the bill. That's just plain wrong.

While growing up, my family owned one of the largest hog ranches in the country. I raised and showed pigs in 4-H and FFA. I like pigs, and I am uncomfortable using a pig to illustrate the cap-and-trade bill, because it insults the pig. You can train, scrub and spruce up a pig for the show ring. You can shave the tail, trim the ears and clean the hooves. But that beautifully clean pig is still a pig and by nature it will wallow every chance it gets. You can't change the nature of the pig.

And you can't change the nature of this piece of legislation. SB 1530 is flawed, and it is incredibly expensive for Oregonians. The changes from HB 2020 now in SB 1530 really is putting lipstick on a pig. SB 1530 is the same animal. This bill does not have my support and I will defend Oregonians from it through any means necessary.

Sen. Bill Hansell grew up on a farm north of Athena. He and his wife, Margaret, chose to return to Eastern Oregon to raise their six children in rural Umatilla County. His Senate district is the leading agricultural producing Senate district in Oregon.

LETTERS TO THE EDITOR

Let's talk about climate change

To the Editor:

Our changing climate is not a partisan issue. The effects impact all of us, whatever our label. Let's talk about this.

Another cap and trade bill comes before the Oregon Legislature in February. Groups like Citizens Climate Lobby and Oregon League of Conversation Voters, both nonpartisan organizations, want stronger provisions in what is now Senate Bill 1530. Those in opposition, like some ranchers, farmers and Timber Unity, want fewer restrictions or no cap on carbon emissions.

I personally favor a stronger bill more like HB2020. We must put a price on carbon starting now, not sometime in the vague future. Some say that Oregon by itself can't put a dent in reducing carbon emissions. But consider that a lot of Oregons putting a price on carbon will.

I talked to a Harney County rancher a few weeks ago, who denies we have a carbon emissions problem and says there is no such thing as climate change. He said he has 40 scientist friends who say cli-

mate change isn't happening. I said what about the 11,000 scientists who want a climate emergency declared now? The rancher scoffed and waved his hand dismissively. To me, 11,000 vs. 40 seems pretty overwhelming. I guess we had different math teachers.

I believe in science, scientists and data. The 11,000 scientists were actually 11,258 scientists in 153 countries from a broad range of disciplines. They warn that the planet clearly and unequivocally faces a climate emergency (Journal of Bioscience). Ecologists Bill Ripple and Christopher Wolf of Oregon State University spearheaded the study. It's important to operate on facts.

Consider writing your state legislator and senator in support of stronger provisions for SB1530. Your children and grandchildren may thank you.

Marjorie Thelen Burns

A revolution has started

To the Editor:

At the Jan. 28 John Day City Council meeting, I was astonished to find that the city was

going after more money through yet more taxing districts. There is no end to it. The taxpayers in the city will pay directly or indirectly in four of these districts. The rest of us will get hit by at least three of the current taxing districts. In addition to a taxing district for a pool, another possible project is to add basketball courts on the end of the proposed swimming pool project. It could add more financial burdens for Grant School District and the John Day Canyon City Parks and Rec District. This was done to complete their original design to a multimillion dollar project that was pretty much a no-go solution. This is yet another project planned to increase the number of unfinished projects and very little has been accomplished. Not adult responsible planning. And the city's greenhouse could continue to lose money. Kudos to Steve Schutte for bringing up the concern of the many unfinished projects before starting others. The first comment against a plan of their current manager that I have heard. There is no end of their overreach, and no respect for any of the county's taxpayers. A revolution started.

Bob Pereira
John Day



WHERE TO WRITE

- GRANT COUNTY**
- **Grant County Courthouse** — 201 S. Humbolt St., Suite 280, Canyon City 97820. Phone: 541-575-0059. Fax: 541-575-2248.
 - **Canyon City** — P.O. Box 276, Canyon City 97820. Phone: 541-575-0509. Fax: 541-575-0515. Email: toccc1862@centurylink.net.
 - **Dayville** — P.O. Box 321, Dayville 97825. Phone: 541-987-2188. Fax: 541-987-2187. Email: dville@ortelco.net
 - **John Day** — 450 E. Main St, John Day, 97845. Phone: 541-575-0028. Fax: 541-575-1721. Email: cityjd@centurytel.net.
 - **Long Creek** — P.O. Box 489, Long Creek 97856. Phone: 541-421-3601. Fax: 541-421-3075. Email: info@cityoflongcreek.com.
 - **Monument** — P.O. Box 426, Monument 97864. Phone and fax: 541-934-2025. Email: cityofmonument@centurytel.net.

- **Mt. Vernon** — P.O. Box 647, Mt. Vernon 97865. Phone: 541-932-4688. Fax: 541-932-4222. Email: cmtv@ortelco.net.
 - **Prairie City** — P.O. Box 370, Prairie City 97869. Phone: 541-820-3605. Fax: 820-3566. Email: pchall@ortelco.net.
 - **Seneca** — P.O. Box 208, Seneca 97873. Phone and fax: 541-542-2161. Email: senecaoregon@gmail.com.
- SALEM**
- **Gov. Kate Brown, D** — 254 State Capitol, Salem 97310. Phone: 503-378-3111. Fax: 503-378-6827. Website: governor.state.or.us/governor.html.
 - **Oregon Legislature** — State Capitol, Salem, 97310. Phone: (503) 986-1180. Website: leg.state.or.us (includes Oregon Constitution and Oregon Revised Statutes).
 - **Oregon Legislative Information** — (For updates on bills, services, capitol or messages for legislators) — 800-332-2313.



Grant County's Weekly Newspaper

- Publisher**.....Chris Rush, crush@eomediagroup.com
Editor & General Manager.....Sean Hart, editor@bmeagle.com
Reporter.....Rudy Diaz, rudy@bmeagle.com
Reporter.....Steven Mitchell, steven@bmeagle.com
Sports.....sports@bmeagle.com
Marketing Rep.....Kim Kell, ads@bmeagle.com
Administrative Assistant.....Christy Smith, office@bmeagle.com
Office Assistant.....Alexandra Hand, office@bmeagle.com

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