



Multnomah County Business Income Tax (BIT) Reform Workgroup Recommendations to the Board of County Commissioners

On March 1, 2007, the Board of County Commissioners passed Resolution 07-041 creating the Business Income Tax Reform Workgroup (BIT Workgroup). The BIT Workgroup was comprised of representatives from business, labor and other stakeholders. The BIT Workgroup was charged with proposing changes to make the County's Business Income Tax more fair and equitable to local businesses while providing a more stable source of funding for Multnomah County. Specifically, the BIT Workgroup was asked to study the reforms recently adopted by the City of Portland to the City's Business License Fee and determine whether the County should adopt similar changes.

The BIT Workgroup received presentations from the City regarding the City's changes to its tax structure, and from County staff regarding the County's tax system and County services. The group also reviewed literature about the impact of the County's BIT on our business climate and economic competitiveness, and reviewed information regarding the impact of the current tax system on various types of businesses.


After this analysis the BIT Workgroup unanimously agreed that the current BIT system should be reformed. The BIT Workgroup concluded that the current tax structure in Multnomah County unfairly burdens certain types of businesses, weakens our County's economic competitiveness, and is unduly volatile as a source of revenue to the County. The BIT Workgroup recommends the following specific changes be adopted by the Board of County Commissioners:

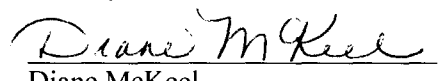
- Expand Multnomah County's economic development efforts; targeting areas not currently served or that are under-served by the Portland Development Commission (PDC). Work to increase communication and to build trust between Multnomah County's government and the local business community.
- Closely align the County's BIT with the City of Portland's Business License Fee (BLF), and adopt a reform package similar to what the City recently adopted for the BLF.
- Align with the City's code changes by raising the Owner's Compensation Deduction from \$61,500 to \$80,000, in tax year 2008. Like the City, establish a firm goal of raising the Owner's Compensation Deduction to \$125,000 within 5 years.
- Align with the City's code changes by raising the Gross Receipts Exemption from \$25,000 to \$50,000, in tax year 2008.
- Align with the BLF, and decrease the volatility in County tax receipts, by instituting a \$100 minimum BIT payment beginning in tax year 2008.
 - Although everyone agreed that the County should create a \$100 minimum BIT payment, we did not reach unanimity on the point at which the minimum would be applied. The majority (7 votes) supported creating a minimum tax beginning at \$50,000 in gross revenue, which is the level used by the City of Portland. A minority (3 votes) supported having the minimum tax begin at \$100,000 in gross revenue.

- Work with the City of Portland in the coming year to develop a joint standard for making the minimum tax progressive and to determine how it would be applied. Progressive tiers for the minimum tax should be developed in tandem with the City using the gross receipts and employee count data they started collecting this year.
- Use any additional revenue generated by the progressive minimum tax to help pay for expanded County economic development efforts and for raising the Owner's Compensation Deduction from \$80,000 to \$125,000.


We appreciate the Board of County Commissioners giving us the opportunity to provide our input on this important issue.

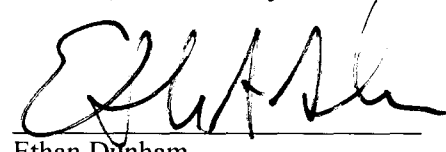
Signed:

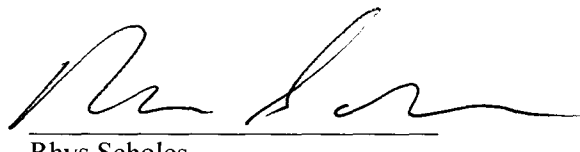

Roy Jay
African American Chamber of Commerce

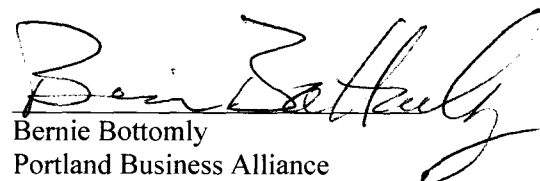

Diane McKeel
West Columbia Gorge Chamber of
Commerce

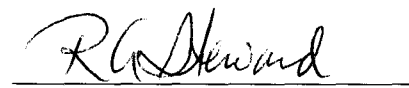

Lee Po Cha
Director, Asian Family Center

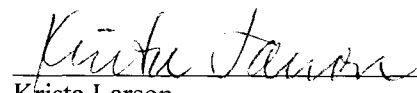

Carol Nielsen-Hood
Gresham Chamber of Commerce

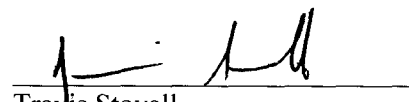

Ethan Dunham
Small Business Advisory Council

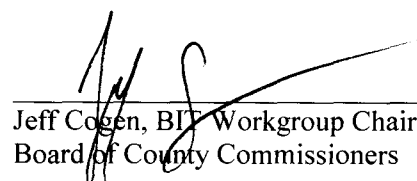

Rhys Scholes
Multnomah County Chair's Office


Bernie Bottomly
Portland Business Alliance


Becky Steward
AFSCME Local 88


Krista Larson
Metropolitan Family Service


Travis Stovall
East Metro Economic Alliance


Jeff Cogen, BIT Workgroup Chair
Board of County Commissioners