

BEFORE THE BOARD OF COUNTY COMMISSIONERS
FOR MULTNOMAH COUNTY, OREGON

RESOLUTION NO. 07-054

Accepting the Recommendations of the Business Income Tax (BIT) Reform Workgroup to Ease the Burden on Small Business, Stabilize BIT Revenues, Improve Our Local Business Climate, and Directing the Chair to Implement BIT Reforms

The Multnomah County Board of Commissioners Finds:

- a. Small businesses are the lifeblood of our community and they represent the most significant source of local employment and of new local jobs.
- b. Over 94% of all firms in Multnomah County employ 50 people or less. Of that group of businesses, over 13,000 - more than 50% - employ fewer than five employees.
- c. Multnomah County should do what it can to help smaller, locally-owned businesses to thrive.
- d. Multnomah County currently imposes a Business Income Tax (BIT) of 1.45% of the net profits from the sale of goods or services within Multnomah County.
- e. Revenue from Multnomah County's BIT makes up a significant part of the County's budget. In fiscal year 2005-2006 the BIT generated \$50,980,000 out of the county's \$350,293,000 General Fund.
- f. Services vital to the health and well being of our entire community, and especially vital to the health and well being of the most vulnerable members of our community, are funded in part through the Business Income Tax. More than half of BIT Revenues fund Public Safety services which make it possible for businesses to operate in Multnomah County.
- g. County BIT revenues are volatile and in recent years have experienced revenue swings of 5% to 40% from one year to the next. The City of Portland's BLF revenues are more stable largely due to the fact that the BLF system includes a \$100 minimum tax payment.
- h. Tax collection, audit, and administration functions for the BIT and the BLF are handled jointly by the City of Portland's Revenue Bureau. Alignment of the two tax codes will be less confusing for small businesses and will foster administrative efficiencies within the two tax systems.

- i. On March 1, 2007, the Board of County Commissioners adopted Resolution 07-041 creating the Business Income Tax (BIT) Workgroup, comprised of members of the business community & other stakeholders.
- j. The BIT Workgroup was charged with studying Multnomah County's BIT and recommending reforms that would ease the burden on small business, stabilize BIT revenues, improve our local business climate, and align with the City of Portland's Business License Fee (BLF).
- k. The Workgroup received presentations from City of Portland staff on the recent reforms to the City's BLF system; heard from County employees about the County BIT system and County services provided through BIT revenue; reviewed literature about the impact of the County's BIT on our business climate and economic competitiveness; reviewed information regarding the impact of the current tax system on various types of businesses; and studied potential impacts on the County budget of various reform options.
- l. After significant analysis and discussion of these issues, the BIT Reform Workgroup concluded that the current structure of Multnomah County's BIT 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 Multnomah County Board of Commissioners Resolves:


- 1. The Board accepts the recommendations of the Business Income Tax (BIT) Reform Workgroup attached as Exhibit A.
- 2. The Chair is directed to take such actions necessary to align the County with the City of Portland's Business License Fee with respect to:
 - (a) Raising the Owner's Compensation Deduction from \$61,500 to \$80,000, in tax year 2008.
 - (b) Raising the Owner's Compensation Deduction to \$125,000 within 5 years.
 - (c) Raising the Gross Receipts Exemption from \$25,000 to \$50,000, in tax year 2008.
 - (d) Decreasing the volatility in County tax receipts, by instituting a \$100 minimum BIT payment beginning in tax year 2008.
- 3. The Board resolves to:
 - (a) Work to increase communication and to build trust between Multnomah County's government and the local business community.

- (b) Expand Multnomah County's economic development efforts; targeting areas not currently served or that are under-served by the Portland Development Commission (PDC).
 - (c) Work with the City of Portland in the coming year to develop a joint standard for making the minimum tax progressive and for determining how it would be applied. Progressive tiers for the minimum tax should be crafted in tandem with the City of Portland using the gross receipts and employee count data they started collecting this year.
 - (d) 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.
4. The Board extends its thanks and appreciation to the volunteer members of the BIT Reform Workgroup for their time and efforts in studying these reforms.

ADOPTED this 12th day of April, 2007.

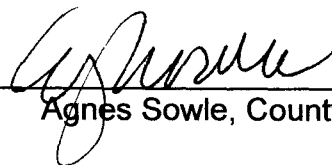


BOARD OF COUNTY COMMISSIONERS
FOR MULTNOMAH COUNTY, OREGON


Ted Wheeler, Chair

REVIEWED:

AGNES SOWLE, COUNTY ATTORNEY
FOR MULTNOMAH COUNTY, OREGON

By 
Agnes Sowle, County Attorney

SUBMITTED BY:

Jeff Cogen, Commissioner, District 2
Lisa Naito, Commissioner, District 3
Lonnie Roberts, Commissioner, District 4
Maria Rojo de Steffey, Commissioner, District 1
Ted Wheeler, County Chair



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:

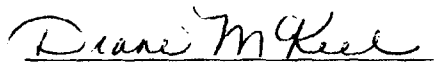
- Expand Multnomah County's economic development efforts; targeting areas not currently served or that are under-served by the Portland Development Commission (PDC). Work to increase communication and to build trust between Multnomah County's government and the local business community.
- Closely align 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.

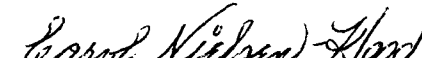
We appreciate the Board of County Commissioners giving us the opportunity to provide our input on this important issue.


Signed:



Roy Jay
African American Chamber of Commerce



Diane McKeel
West Columbia Gorge Chamber of Commerce



Lee Po Cha
Director, Asian Family Center

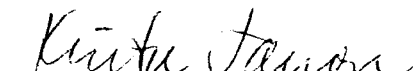

Carol Nielsen-Hood
Gresham Chamber of Commerce



Ethan Dunham
Small Business Advisory Council

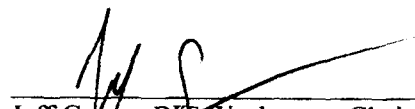

Rhys Scholes
Multnomah County Chair's Office


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