

**BEFORE THE BOARD OF COUNTY COMMISSIONERS
FOR MULTNOMAH COUNTY, OREGON**

ORDINANCE NO. 1283

Amending Multnomah County Code Chapter 12 – Business Income Tax

(Language ~~stricken~~ is deleted; double underlined language is new.)

The Multnomah County Board of Commissioners Finds:

1. Under Multnomah County Code Chapter 12, the County collects a 1.45% tax on a portion of a business' income that results from conducting business in Multnomah County (the "County BIT").
2. The City of Portland also collects a tax – 2.60% – on a portion of a business' income that results from conducting business in the City of Portland (the "City BLT").
3. By agreement between the City and the County, the City of Portland collects and administers the County BIT. The City and County aim to maintain consistency between their respective codes simplifying the administration of the City BLT and County BIT.
4. The Portland metro area has experienced a strong economic recovery. Portland is now the eighth wealthiest city in the nation, according to the Oregon state economist, up from 22nd place in 2005. This has driven up the cost of living for people across Multnomah County, and has put increasing pressure on employers to meet the financial needs of their employees, including the County.
5. Statewide ballot initiatives passed by voters in the 1990s limited the County's ability to fully benefit from local economic growth. The County's property tax revenues are limited by an individual property's assessed value growth being constitutionally capped at 3%.
6. As a result, and despite the region's population growth and the growth and strength of its economy, the County has not experienced a commensurate increase in tax revenues from its primary revenue source – taxes on real property. Due to the lack of property tax revenue growth, the County is facing an increasing structural deficit.
7. To maintain consistency with the City BLT, address the structural deficit, and to ensure essential services are not eliminated in future budget years, the Division of Finance and Risk Management of the Department of County Management recommend increasing the County BIT rate from 1.45% to 2.00% of net income from business within Multnomah County for tax years beginning on or after January 1, 2020. The rate increase would be combined with a gross receipts exemption increase from \$50,000 to \$100,000 and an increase to the owners compensation deduction from \$108,000, to \$127,000 (indexed yearly) for tax years beginning on or after January 1, 2020. These changes will net an estimated \$28.7 million in additional revenue in fiscal year 2021 and an estimated average of \$31.9 million annually over the next five fiscal years.

8. The changes to the gross receipts exemptions would also increase the number of businesses that are exempt from the tax by an estimated 14,000, providing tax relief to many additional small businesses within Multnomah County, estimated at \$2.1 million in fiscal year 2021. Increasing the owners compensation deduction from \$108,000 to \$127,000 (indexed yearly) would create uniformity with the City BLT owners compensation deduction amount. This change would save businesses an estimated \$1.9 million in fiscal year 2021 alone.
9. The first reading for certain revisions to portions of Multnomah County Code §§ 12.400 to 12.600 occurred on March 12, 2020.
10. Having identified the above described issues raised by provisions in Chapter 12, the Division of Finance and Risk management of the Department of County Management recommend the adoption of this ordinance to the Board of County Commissioners to amend certain portions of Multnomah County Code (MCC) Chapter 12.
11. The County now wishes to amend certain portions of MCC §§ 12.400-12.600 through a second reading of these changes.

Multnomah County Ordains as Follows:

Section 1. MCC § 12.400 is amended as follows:

§ 12.400 – EXEMPTIONS.

The Administrator may require the filings of tax returns or other documentary verification of any exemption claimed under this section. To the extent set forth below, the following persons or incomes are exempt from payment of the business income tax:

* * *

(C) Persons whose gross receipts from all business, both within and without the county, amount to less than ~~\$100,000~~\$50,000 (~~\$50,000~~ \$50,000 for tax years that begin prior to January 1, 2020, \$25,000 for tax years that begin prior to January 1, 2008).

* * *

Section 2. MCC § 12.500 is amended as follows:

§ 12.500 – IMPOSITION AND RATE OF TAX.

(A) Except as otherwise provided in this chapter, a tax is imposed upon each person doing business within the county equal to ~~1.45~~2.00% of the net income from the business within the county effective with tax years beginning on or after January 1, ~~2020~~1993 (for tax years that begin prior to January 1, 2020 the tax imposed will be equal to 1.45%). For tax years beginning on or after January 1, 2008, each taxfiler not otherwise exempt must determine their tax at the rate established in this section, provided that each must pay at least a minimum tax of \$100.00.

* * *

Section 3. MCC § 12.600 is amended as follows:

§ 12.600 – INCOME DETERMINATIONS.

(A) *Owners compensation deduction.* **OWNERS COMPENSATION DEDUCTION** is defined as the additional deduction allowed in subsections (B), (C), and (D) below.

* * *

(6) For tax years beginning on or after January 1, 2020, the owner compensation deduction cannot exceed \$127,000 per owner as defined in subsections (B), (C), and (D) below.

FIRST READING: 3/12/2020

SECOND READING AND ADOPTION: 3/19/2020



BOARD OF COUNTY COMMISSIONERS
FOR MULTNOMAH COUNTY, OREGON

Deborah Kafoury

Deborah Kafoury, Chair

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