

The Oregonian

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Title: **Adams** revises reforms for city business taxes

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SUMMARY: Less city revenue Professionals and small businesses might pay less; big outfits may pay more

Commissioner **Sam Adams** has a new tack for Portland tax reform.

Adams failed to get a half-finished reform for Portland's business license tax through the City Council in 2005.

But after a year of number crunching and breakfast gabfests with business groups, **Adams** is back with a more detailed proposal to cut taxes for small, local and new businesses to help them catch on to Portland's rebounding economy. Tax bills also likely would fall for professional service companies --lawyers, architects, engineers --who now pay more than their share, **Adams** said.

So who loses? Some big companies would see bills rise and the city would see revenue fall.

Business leaders would like to wipe the tax bill off the books. It's an extra 2.2 percent off their net income. But gritting their teeth, small and big business types say they like **Adams'** idea. "We think it's an excellent step in the right direction," said Judy Pepler, chairwoman of the Portland Business Alliance and Qwest's Oregon president.

What remains unclear is whether **Adams** can get his idea through City Hall. All four of his council colleagues say they have questions, and none said they'd vote for the proposal today.

Portland has suffered years of rhetoric that it's anti-business. Think Columbia Sportswear's move to Washington County and chief executive Tim Boyle's 2005 speech that lashed Portland City Hall. Then there's the Portland Business Alliance's constant calls for tax reform and this year's decision by Dave Lister, a former council candidate, to move his small software company to Tigard, in part, to escape the tax.

Chuck Jones, a Washington County financial planner and PBA board member, says **Adams'** proposal signals that City Hall is finally listening.

So why has tax reform taken so long even though Portland's suburban cities don't take such a heavy bite out of their businesses?

Because the business license tax pays a big chunk of Portland's core services: firefighters, police, planners and parks.

The rebounding economy may make the tax reform easier to handle now. A preliminary forecast shows Portland has a \$19 million surplus in its \$470 million general fund this year and an extra \$23 million next budget year. The city's economist attributes much of the bump to higher than expected business tax revenue.

"It would be nice, because they have such a surplus, if they got rid of the whole thing," Jones said.

But Ken Turner, general manager at Eastport Plaza shopping center and an east Portland business advocate, said: "I'm a realist. The revenue the city gains . . . that's not just going to disappear."

Adams' end goal is for businesses' bills to track with their ability to pay and their demand for city services.

Sandra McDonough, president of the Portland Business Alliance, said, "People are really, really, really enthusiastic that **Sam** is taking this on."

The alliance's board contains Portland's biggest names in business: Intel, Nike and Oregon Health & Science University. Even so, McDonough says, she's glad to see **Adams'** plan lighten the load for small businesses. Small businesses --those with 50 or fewer employees --account for more than 90 percent of the businesses in Multnomah County and a large share of the complaints about the tax, McDonough said.

Peppler from Qwest said she likes the tax help for professional service companies that can easily move outside the city and expect their customers to follow.

Although the idea is selling outside City Hall, its prospects are less positive among council members.

Commissioner Randy Leonard is a no go. He doesn't want the city to lose the cash. If approved as proposed, **Adams'** plan would siphon off as much as \$7 million.

Commissioners Erik Sten and Dan Saltzman, **Adams'** two most likely allies, say they have unanswered questions. Mayor Tom Potter got his first detailed briefing Thursday.

Adams hopes to bring his plan up for a council vote Nov. 29.

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