

# Adams leads charge to cut city's business license tax

Reductions seen as a way to encourage business activity

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Portland's primary source of collecting business-based income could see big-time permutations in coming weeks.

City Commissioner Sam Adams is proposing business license fee tax reductions that would:

- increase the amount, based on the owner's salary and type of business that the owner can deduct from his or her net income, from \$60,000 to \$125,000 when calculating the fee;
- change the minimum revenue a business collects, before it has to pay any business license fees, from \$25,000 to \$50,000; and
- add a progressive minimum tax based on the number of employees, gross revenue generated in Portland, or a combination of the two.

The new tiered-minimum fee structure would range from \$100 to \$1,000, as opposed to the current \$100 minimum.

Adams estimates that the plan would reduce the overall business license fee intake by around \$6 million. The fee generated an estimated \$52 million in revenue in 2005.

The reductions would be defrayed by economic development gains derived from the lower taxes, said Warren Jimenez, Adams' senior policy analyst.

"This is the most effective economic way to help small businesses expand," Jimenez said. "It'll help them create new jobs, which in turn will increase our tax base."

Numbers presented by Adams and Jimenez indicate that changing the owner's compensation deduction and gross income exemptions would reduce the average business's burden by \$568 yearly.

Adams will spend the balance of November explaining the proposal to business groups. The City Council will consider the plan on Nov. 29; Adams believes he's lined up the required three of five supportive votes for it.

A companion part of the proposal further calls for establishing a \$2 million economic development fund that targets business retention, recruitment and expansion activities outside of the city's urban renewal areas. The money would come from one-time city dollars. Adams said the plan steers tax cuts to sole proprietors, which comprise most of the city's new businesses..

"That means it would help those between 18 and 34 who move here to start businesses," Adams said.

Adams believes the proposal would create a better balance between companies with revenue excess of \$20 million, that pay the most taxes, and those that currently pay the \$100 minimum.

The minimum fee increase would most dramatically affect businesses with a large payroll presence in Portland that do most of their sales activity outside of the city.

If approved by the council, the proposed owners compensation and gross receipts exemption changes would fold in over five years. The minimum fee increase would begin in 2008.

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