



Personal Statement of Delna Jones
March 30, 2000

I was selected to serve on the Commission as a representative from a non-sales tax state. I currently serve on my county governing body, and I have previously served as a member of the Oregon State Legislature.

For Oregon, sales taxes are not a critical issue as they are for some states and local governments. Oregon depends primarily on income taxes to fund its public services, including all levels of education. I am very concerned about the provisions of the majority proposal that would significantly limit the conditions under which states could impose net income or business activity taxes.

The proposal concerns me for three reasons. First, the application of general business activity taxes was *not* a part of the charge of the Commission. The direction we received from Congress was to examine and make recommendations concerning taxation of the Internet and transactions that take place on the Internet. That charge did not include evaluating general business activity taxes. No evidence was presented to us that demonstrated that business activity taxes create a significant problem for electronic commerce.

Second, the scope of the business activity tax "nexus" provisions in the majority proposal will have a much broader impact on the states' ability to fund services than I believe is intended. The proponents of these provisions have asserted that their intent is simply to put into statute the jurisdictional rules the United States Supreme Court has already established. But, many tax experts have said that the majority proposal will in fact create a new standard. The majority proposal will create opportunities for multi-state businesses (whether or not engaged in Internet commerce) to manipulate their organizational structures to avoid paying business activity taxes in states where they are currently taxable and from which they gain substantial income.

The nexus provisions of the majority proposal will actually create more inequity in the state tax system, not less. Large multi-state business enterprises have both the incentives and the resources to change their corporate ownership structure to take advantage of these new rules. Small, local businesses do not. If history teaches us anything, it teaches us that when new tax rules are adopted, years of litigation follow as taxpayers and tax administrators try to figure out what the new rules mean and where the new boundaries are. The majority proposal will disrupt the current balance in the system.



Finally, the majority proposal would have the Congress take away from the citizens of the states and local governments their authority to decide what public services they need, to decide how much they are willing to pay for those services, and to decide the most appropriate way to fund those services. Conservative estimates of the impact of the business activity nexus provisions are that five to ten percent of current state business activity tax revenues could be lost due to the changes being proposed.

The Commission was not asked to look at business activity taxes. The Supreme Court has already established the nexus rules. It isn't necessary to duplicate them in federal statute. The majority proposal would actually change the rules, and by doing so create tax inequity and take away the fundamental rights of citizens to decide on their own local tax structures.

I fully support the principles of tax simplification, creating a level playing field for all businesses, protecting consumer privacy and federalism. I believe that the majority proposal fails in many important respects to adhere to these principles. The business activity nexus provisions are a significant example of that failure.

Board of County Commissioners

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