



Taking action for basic human needs.

February 14, 2011

Senator Ginny Burdick, Chair
Senate Finance and Revenue Committee

Re: SB 301 (HB 2535) – 2010 Federal Reconnect

One of HSCO's concerns is that total tax and other revenues be "sufficient to finance the services necessary for the health, education, safety and wellbeing of Oregonians." Since that is demonstrably not the case for the 2011-13 biennium, HSCO is unable to support a full reconnection to federal tax law. While the Federal government can increase its tax expenditures with no obligation to balance its budget, Oregon's budget must be balanced. Automatically reconnecting to the Federal code allows the Congress to dictate some of our tax expenditures further eroding the state's revenue base. A more selective and analytical approach is essential.

To put our concerns in more specific context, Governor Kitzhaber's Balanced Budget proposes a 40% cut in the budget for health and human services. Given the sacrifice that is being demanded of vulnerable Oregonians, it is incumbent upon the legislature to minimize further reductions in revenue.

The revenue impact summary sheet prepared for your committee by the Legislative Revenue Office shows six items that would have a 2010 negative revenue impact totaling \$65 million. We understand that numerous other non-specified reconnect provisions will add about \$5 million to this total.

Our request is that your Committee not reconnect Oregon's tax code to the Federal code for the following three items: Bonus Depreciation; Expansion of Section 179 Expensing and Tuition Expenses. Together these items are estimated to reduce State tax revenues by an additional \$62 million. We believe that these revenues can be better applied to preserving services to vulnerable Oregonians; and the jobs associated with providing such services.

We appreciate the opportunity to comment on SB 301.

John Mullin, Co-Chair
HSCO Tax & Revenue Committee
Oregon Law Center
jmullin@oregonlawcenter.org
(503) 927-6340 cell

Bill Olson, Co-Chair
HSCO Tax & Revenue Committee
fwolson@comcast.net
(503) 851-7684 cell

Cc: Senators Frank Morse, Vice-Chair, Mark Hass, Chris Telfer

The Human Services Coalition of Oregon (HSCO) is comprised of organizations and individuals from across the state who are committed to protecting and strengthening human services on which vulnerable Oregonians depend.