

December 13, 2012

Co-chairs Burdick and Berger and members of the Joint Interim Committee on Economic Development,

I am here on behalf of the Emergency Coalition Against Austerity and the affinity groups to which I belong: Tax Fairness Oregon and Oregon Save Our Schools.

The foremost reason this committee should oppose the Economic Impact Investment Act is because secret deals are decidedly undemocratic. The democratic process demands a thoughtful debate. Having a public hearing to both introduce this bill and its amendments will not allow this.

But I will elaborate further on why this bill is bad. According to classical economic theory, Say's Law states, "Supply creates its own demand."<sup>[1]</sup> Accordingly, profit-seeking businesses will hire job seekers willing to work for a wage that doesn't exceed their productivity.

Oregon businesses that hoard their profits in offshore shelters<sup>[2]</sup> and pay their executives exorbitantly<sup>[3]</sup> disrupt supply and demand. Why should Oregonians support tax favors for these corporations, especially when under- and unemployed Oregonians can't buy their products?

Tax expenditures require only a simple majority vote. Raising revenue is far more difficult since a 3/5-majority vote is necessary.

If there is a silver lining to this special session, it's that that Oregonians are beginning to understand that corporate tax loopholes are trade secrets. Favorable tax policy yields returns on investment for which the tax accountants and attorneys are well paid. According to the most recent data available<sup>[4]</sup>, the New York Times estimates Oregon spends at least \$865 million per year on incentive programs.

This figure does not include the economic benefits of the single sales factor method of apportionment! Alarmingly, this Act codifies the single sales factor for qualifying corporations for up to 40 years and enacts "action for a breach of a qualifying investment... against the State of Oregon."<sup>[5]</sup>

Where are the clawbacks and penalties for corporations that don't keep up their end of the bargain? For that matter, what is their end of the bargain?

It's worthy to discuss proposed amendments as global remedies to address tax fairness. Oregonians need to know how this bill defines new job creation and sets quality standards. <sup>[6]</sup> These metrics must be reported in an easily accessible manner.<sup>[7]</sup> Reporting and disclosure<sup>[8]</sup> must be thorough and include a summary of the corporations' total taxable income and amount of taxes paid in Oregon. Any provisions of this Act deemed unenforceable in a court of law should not affect the validity or enforceability of other provisions in the Act.<sup>[9]</sup>

Oliver Wendell Holmes, Jr. famously said, "Taxes are the price we pay for civilization."  
Unjust tax policy can be an act of barbarism.

Respectfully,

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[1][http://wps.aw.com/wps/media/objects/11/11640/rohlf\\_keynes\\_and\\_classical.pdf](http://wps.aw.com/wps/media/objects/11/11640/rohlf_keynes_and_classical.pdf)

[2][http://ctj.org/ctjreports/2012/10/which\\_fortune\\_500\\_companies\\_are\\_sheltering\\_income\\_in\\_overseas\\_tax\\_havens.php](http://ctj.org/ctjreports/2012/10/which_fortune_500_companies_are_sheltering_income_in_overseas_tax_havens.php)

[3] \$10.83 mil total compensation; \$50.81 mil 5-year compensation  
[http://www.forbes.com/lists/2012/12/ceo-compensation-12\\_Mark-G-Parker\\_X0NY.html](http://www.forbes.com/lists/2012/12/ceo-compensation-12_Mark-G-Parker_X0NY.html)

[4] [http://www.nytimes.com/2012/12/02/us/how-local-taxpayers-bankroll-corporations.html?pagewanted=all&\\_r=0](http://www.nytimes.com/2012/12/02/us/how-local-taxpayers-bankroll-corporations.html?pagewanted=all&_r=0)

[5][http://www.leg.state.or.us/12ss1/genInfo/LC0001\\_DRAFT\\_2012\\_1st\\_Special\\_Session.pdf](http://www.leg.state.or.us/12ss1/genInfo/LC0001_DRAFT_2012_1st_Special_Session.pdf)

[6] See "Job Creation Standards" and "Job Quality Standards" amendments;  
<http://www.goodjobsfirst.org>

[7] See "Public Records" amendment

[8] See "Taxpayer Right to Know on Jobs Amendment (Reporting and Disclosure)"

[9] See "Severability" amendment

*Kris Alman*