

Chair Barnhart and Members of the Committee,

My name is John Calhoun and I am a resident of Portland. I am currently the CEO of InsideValuation Partners a property valuation company serving the financial community across the country. I am here today representing the Equity Alliance of Oregon.

I support House Bill 3433 because the law deferring capital gains taxes on property is not only a tax deferral, but in many cases a tax loophole for the wealthy. There is a saying in public finance that a tax deferred is a tax avoided. That is certainly the case for like-kind exchanges. Not only can the taxes be deferred indefinitely by continuing investment in property, but by exchanging the property for property in states like Washington that do not have capital gains and income taxes, the tax can be avoided. Just as important this is a benefit limited to wealthy property owners and a special class of investors.

I assume that all of you on this panel believe that the state should encourage businesses and individuals to invest in businesses that grow jobs. Yet I as an investor and entrepreneur making the classic job creating investments in start-ups do not get the same tax deferral on my investments when I sell them and invest in a new business as those who own raw land and trade it for other property even if it didn't create a single job in the process. Why should this state tax one investor's capital gains, but not another's? The only justifiable policy reason I can think of is to encourage investments in risky enterprises that are likely to provide wider social benefit primarily in job creation. That is not the typical case here.

It is hard to believe that the current tax benefit for property owners would be created if you were starting a tax system from scratch. If you would not design it in, why not design it out.

Tax breaks like like-kind exchanges have gotten into the law to benefit a small class of wealthy individuals and businesses at the expense of the broader population, even the broader business community. As many of you know tax expenditures like this have grown much faster than our revenue and as a result we keep cutting our education resources and investments in other basic infrastructure. Since 2009 tax expenditures have grown 29%, while the k-12 budget was cut by 5%. It is time to start taking back some of these tax benefits and using them to either provide broader tax relief for all tax payers or investing the revenue in the infrastructure that we need to operate a modern economy. As a businessman I know that a well-educated workforce, good transportation and communication systems, and a functioning legal system are necessary to have businesses flourish. Unless we start limiting these special interest tax expenditures we will continue to damage our ability to compete in the global economy.

Thank you for your time.