

**Written Testimony of Greg Fitz-Gerald**  
**In Favor Of Renewing The Oregon Cultural Tax Credit**  
**and**  
**Correcting Errors Made By Tax Fairness Oregon In Its Testimony**

**To:** Sen. Ginny Burdick, Co-Chair, Rep. Phil Barnhart, Co-Chair and Joint Tax Credit  
Committee Members  
**From:** Greg Fitz-Gerald  
**Date:** May 2, 2013  
**Re:** HB 2470 and SB 319

Chair Burdick and Chair Barnhart, for the record, I am Greg Fitz-Gerald from Eugene. I'm a strong supporter of the arts, an art collector and advisor to a number of arts and cultural institutions. I am a member of the board of directors of the Cultural Advocacy Coalition, a special advisor to the Cultural Trust and have recently completed my term as President of the Leadership Council of the Jordan Schnitzer Museum of Art at the University of Oregon. Before I retired, I was the Chief Financial Officer of Merrill Lynch & Co., Inc. in New York.

Thank you for this opportunity to speak in favor of renewing the Oregon Cultural Tax Credit and to correct errors made by Tax Fairness Oregon in its previous testimony.

**The Cultural Tax Credit Should Be Renewed**

I have previously testified before the Senate Business and Transportation Committee in favor of renewing the Cultural Tax Credit. Rather than taking time to repeat that testimony today, I've attached a copy to my written submission. I've also attached my opinion piece that was published by the Register Guard in Eugene on April 20, 2013.

**Errors Made By Tax Fairness Oregon In Its Testimony**

Tax Fairness Oregon has testified that the Cultural Tax Credit should be eliminated because it enables a taxpayer to make a "profit." Their incorrect line of thinking is as follows.

A taxpayer makes a donation to the Cultural Trust and the Cultural Tax Credit returns a like amount to the taxpayer so the taxpayer is out no cash. But, the taxpayer gets to take a deduction on his or her federal tax return for the donation to the Oregon Cultural Trust and that produces a "profit". For example, I give \$500 to the Cultural Trust, get \$500 back from the Cultural Tax Credit and thus have no cash outlay. I deduct \$500 for my donation to the Cultural Trust on my federal return. At a 30% federal tax rate, I get a tax benefit or "profit" of \$150.

This is incorrect. The flaw in Oregon Tax Fairness reasoning is that it ignores the federal treatment of state tax credits and payments. Under the assumption above, I have to report on my federal return the \$500 tax credit I receive as a \$500 reduction of my deduction for state tax paid. This offsets the charitable deduction of \$500 to the Cultural Trust. Consequently, it zeros

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out and there is no tax benefit or "profit". Tax Fairness Oregon introduced this false idea of a deduction "profit" in its testimony at the House and Senate Hearings. I've attached a page to my written testimony showing the corrections that are needed to their tables.

They also compare a \$1,000 cash donation to \$500 cash donation and conclude, not surprisingly, that the after tax cost of a \$500 donation is less than that of a \$1,000 donation. Their apples and oranges approach is very misleading. I've corrected this and their other errors in the tables I've submitted.

### **Conclusion**

Thank you for this opportunity to testify in favor of renewing the Cultural Tax Credit. It greatly benefits Oregon and it increasingly funds a vital component of school education especially in the smaller rural and farming communities. I also appreciate the opportunity to correct the errors in the "profit" argument submitted by Tax Fairness Oregon. They are incorrect on their analysis of the tax code and they're incorrect when they compare apples to oranges.

Thank you and I'm happy to answer any questions.

Greg Fitz-Gerald  
3115 Braeman Village  
Eugene, OR 97405  
541 302-2646  
fgfeug@gmail.com

## OREGON CULTURAL TAX CREDIT

***It does not produce a profit as claimed by Tax Fairness Oregon***

Table 1 As Submitted by Tax Fairness Oregon in its Testimony to the Oregon Legislature on  
HB 2470, HB2471, and SB 319

<b>\$1000 in Donations with the Cultural Trust Tax Credit</b>		<b>\$1000 in Donations without the Cultural Trust Tax Credit</b>	
\$500	to the Third Rail Theater, Salem City Club or any Historical society	\$1000	In donations – which may or may not include a Cultural Trust donation with no TC
\$500	to Cultural Trust		
\$1000	<b>TOTAL DONATIONS</b>	\$1000	<b>TOTAL DONATIONS</b>
-500	Tax Credit	-300	Federal Itemized deduction
-300	Federal Itemized deduction 1000x30%	-90	State Itemized deduction
<b>\$200</b>	<b>Taxpayer cost</b>	<b>\$610</b>	<b>Taxpayer cost</b>

The above tables are not correct because the left table: (1) excludes the reduced Federal itemized deduction for state taxes paid by reason of receiving the Cultural Tax Credit; and (2) excludes the impact of the state tax deduction of \$45 for the \$500 donation to Third Rail Theater. In addition, the left table is actually a net cash donation of \$500 (the \$500 donation to the Cultural Trust is offset by the \$500 tax credit the taxpayer receives), while the table on the right is for a \$1,000 net cash donation by the taxpayer. To be comparable the right table should be for a \$500 donation.

Table 2 Correcting Errors in Table 1

<b>\$500 in Cultural Donations and \$500 to the Cultural Trust with the \$500 Cultural Trust Tax Credit</b>		<b>\$500 in Donations without the Cultural Trust Tax Credit</b>	
\$500	to the Third Rail Theater, Salem City Club or any Historical society	\$500	In donations – which may or may not include a Cultural Trust donation with no TC
500	To Cultural Trust	0	To Cultural Trust
1,000	<b>TOTAL DONATIONS (\$500 net cash after Cultural Tax Credit)</b>	500	<b>TOTAL DONATIONS</b>
	<b>Federal and State Itemized Deductions</b>		<b>Federal and State Itemized Deductions</b>
-300	Donations deduction \$1,000 @30%	-150	Donations deduction @30%
-45	State Itemized deduction @9% (Cultural Trust donation is not deductible on state return	-45	State Itemized deduction @ 9%
+150	Reduction in deduction for state taxes paid \$500 @30%	0	Income from Cultural Tax Credit @30%
<b>\$305</b>	<b>Taxpayer Cash Cost</b>	<b>\$305</b>	<b>Taxpayer Cash Cost</b>

***The Cultural Tax Credit of \$500 offsets the \$500 donation to the Cultural trust.  
The effect on Federal taxes is zero.***

**Written Testimony in Favor of  
SB 319  
Renewal of the Oregon Cultural Tax Credit**

**Greg Fitz-Gerald  
Eugene, OR  
Cultural Advocacy Coalition Board Member**

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March 12, 2013

Senator Lee Beyer, Chair  
Senator Bruce Starr, Vice-Chair  
Senator Chris Edwards  
Senator Fred Girod  
Senator Rod Monroe  
Senator Chuck Thomsen

Chair Beyer and members of the Senate Business and Transportation Committee,

Thank you for this opportunity to speak in favor of SB 319, which renews the Oregon Cultural Tax Credit.

I am Greg Fitz-Gerald from Eugene. I'm a strong supporter of the arts, an art collector and advisor to a number of arts and cultural institutions. I am a member of the board of directors of the Cultural Advocacy Coalition ("CAC"), and have recently completed my term as President of the Leadership Council of the Jordan Schnitzer Museum of Art at the University of Oregon.

Last year the CAC commissioned an independent research study<sup>1</sup> of the importance of arts and culture on the Oregon economy. A copy of that report is attached hereto, and we'll be happy to get you as many extra copies as you want.

#### **Cultural Tax Credit – Good Economic Policy**

I don't have time to tell you of all the favorable economic and other benefits of arts and culture – you'll see them when you read the report. But the highlights are:

##### **Arts and Culture in Oregon directly and indirectly**

- Generate \$1.2 billion in economic output in Oregon;
- They pay \$466 million in salaries; and
- They generate \$57 million in taxes and fees to governments in this state.
- Arts and culture employ 15 thousand people.
  - In terms of jobs that's almost as big as the entire legal profession in Oregon and one and a half times larger than all the high school teachers in Oregon.

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<sup>11</sup> *Arts, Culture, and Oregon's Economy*, ECONorthwest, December 2012

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So supporting art and culture through the Cultural Tax Credit makes good economic sense because the arts and culture organizations in Oregon are major contributors to our economy and the education of our children.

**Cultural Tax Credit – Good Tax Policy**

As I said, art and culture generate taxes and fees of \$57 million. That's 15 times the \$3.8 million the Cultural Tax Credit cost in tax expenditures last year.

One of the really unique attributes of the Cultural Tax Credit is you legislators know that a private citizen has donated real cash equal to the tax credit before you ever spend a dime of tax money. It's one of the very few times you can get a matching gift from the people before you make a tax expenditure. Lots of tax expenditures hope to induce people to do something beneficial, but you know for sure that the Cultural Trust Tax Credit does it.

Before I moved to Oregon I'd heard about what a forward thinking state this is -- the beach law, the bottle bill, etc. And then I got here and learned about the Cultural Tax Credit. It's the only one in the country and it's a use of the tax law that really makes sense and it works.

**Cultural Tax Credit – Good Education Policy**

A very large part of all the art and culture spending in Oregon is now for education, especially the spending from the Cultural Trust. Our museums, theaters, and other cultural organizations take their product directly in to the schools or they bring the kids to their museums and theaters. We are a very important supplement to the school budgets.

There's lots of research now that educating kids in art and culture makes them better learners in all areas. One study showed that giving children art and culture in third grade makes them better at math and English in fifth grade. We all know the big push these days for Science, Technology, Engineering and Math. You know STEM.

Well our own Dr. Rudy Crew and lots of other experts in education now say it should be STEAM -- Science, Technology, Engineering, Art and Mathematics. That's what we need to do to educate our kids to be better learners. If we do STEAM we get a bigger bang for our education dollar.

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**Summary**

I could go on for a long time about this subject because it's so important for the future of our state and our children, but let me close by simply saying you really should renew the Cultural Tax Credit. It's that important.

1. It makes good economic sense. Art and culture is a significant part of Oregon's economy. There's a big payback.
2. It's good tax policy. You get a very big return on your tax expenditure, and it's one of the few times you legislators can be sure private citizens have made a one for one match for every tax dollar you spend.
3. It's good education policy. Learning about art and culture makes Jack and Jill better students. It's a way for you to spend our limited education dollars smarter.

And finally, renewing the Oregon Cultural Tax Credit is a way to show the rest of the country Oregon's enlightened political leadership.

Thanks for letting me have this time to support the Cultural Tax Credit.

F. Gregory Fitz-Gerald  
3115 Braeman Village  
Eugene, OR 97405  
541 302-2646  
fgfeug@gmail.com

Op Ed Piece Published by the Register Guard April 20, 2013  
Greg Fitz-Gerald

Oregon's 10 year old Cultural Tax Credit will sunset this year unless our legislators renew it.

It would be a shame for this pioneering Oregon policy to expire. Since 2003, the Oregon Cultural Trust, funded mostly by Oregonians using this tax credit, has awarded \$12.8 million in grants statewide, almost \$900,000 in Lane County. Like the beach bill and the bottle bill, it has made a tremendous impact on Oregon's quality of life.

Supporting the Cultural Tax Credit is *Good Economic Policy*. Arts, heritage and humanities in Oregon directly and indirectly generate \$1.2 billion in economic output; pay \$466 million in salaries to over 15,000 people, and generate \$57 million in taxes and fees to governments in this state.  
(<http://oregonculture.org/wp-content/uploads/Cultural-Trust-Report-FINAL.pdf>)

Supporting the Cultural Tax Credit is *Good Tax Policy*. The \$57 million in taxes and fees generated by art and culture is 15 times the \$3.5 million the Cultural Tax Credit cost in tax expenditures in 2011. One of the unique attributes of the Cultural Tax Credit is that our legislators can feel comfortable knowing a private citizen has already made a cultural donation equal to the tax credit before any of our tax money is spent.

This is one of the few times Oregon gets a matching gift from the people before the state makes a tax expenditure. Oregon's Cultural Tax Credit is the only one in the country. It's a good use of the tax law that makes sense, and it works.

Supporting the Cultural Tax Credit is *Good Education Policy*. A large part of all cultural spending in Oregon is now for education, especially Oregon Cultural Trust spending. Our museums, theaters, historical societies, and humanities organizations bring programs and unique experiences directly into the schools, particularly those in rural communities. There is no other way to do this.

Research shows that educating kids in art and culture makes them better learners in all areas. Dr. Rudy Crew, Oregon's Chief Education Officer, and many other education experts now say we should teach STEAM – Science, Technology, Engineering, Art and Mathematics to enrich our children's school learning and fuel our innovation economy.

Space limits prevent me from listing many other reasons to support the Cultural Tax Credit. Simply said: *Renew the Cultural Tax Credit*.

I urge our legislators to continue Oregon's leadership in quality of life legislation by renewing the Cultural Tax Credit. And, I ask you to join me by calling and writing your senators and representatives.

*Greg Fitz-Gerald is a special advisor to the Oregon Cultural Trust, a director of the Cultural Advocacy Coalition, and past president of the Leadership Council of the Jordan Schnitzer Museum of Art.*