Human Services Coalition of Oregon

Taking action for basic human needs.

March 8, 2013

To: Representative Phil Barnhart, Chair
House Revenue Committee

RE: HB 2002 & 2003

The Human Services Coalition of Oregon (HSCO) is comprised of organizations and individuals whose purpose is to educate and advocate in the Oregon Legislature for vulnerable Oregonians. As it relates to tax and revenue issues, the Coalition has adopted principles and goals which promote Fairness, Adequacy, Stability and Transparency (see Attachment 1).

As we read them, both HB 2002 and HB 2003 would add transparency to the Legislature's action in creating new or extending the sunset date for existing tax credits beginning with the 2015 legislative session. Therefore, HSCO supports these measures and combine our testimony on both herein.

We offer the following added questions or comments for Committee consideration:

1. Why do the measures' provisions apply only to legislation introduced in odd numbered years? It seems possible that new credit proposals or sunset extensions could be introduced in even numbered, short sessions as well.
2. We hope that some of the analyses called for in these bills would be performed during the current session. The Joint Tax Credit Committee Policy Questions adopted to guide policy committee review set forth many of the issues which are to be addressed by the reports called for in the two bills being considered.
3. We would like to see the provisions of the bills applied to other forms of tax expenditure as well as tax credits.

Thank you for hearing these bills and receiving our testimony.

Sincerely,

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CC: Committee Members

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Attachment 1

## HSCO Tax & Revenue Principles and Goals for 2013 Session

Entering the 2013 Legislative session, the State of Oregon again faces the serious challenge of adequately funding its critical services. The Governor's budget, while nominally balanced, relies on certain revenues which are uncertain including savings from PERS reform, health care savings and federal revenues and reductions in corrections expenditures.

It is encouraging that in his State of the State address on 14 January, the Governor told the Legislature that he was prepared to work with them to undertake a "serious review of Oregon' tax expenditures." And indeed, there does seem to be an increased awareness of the significance of such expenditures and the fact that they should be subjected to the same scrutiny as are direct budget expenditures.

Accordingly, HSCO will continue to urge the Governor and Legislators to recognize and take action to mitigate the current and projected future impact of all tax expenditures (not just tax credits) on Oregon's budget and its ability to provide its citizens with adequate services. In addition, HSCO's advocacy will continue to be guided by the following principles and goals.

### *Principles*

HSCO supports a tax structure for Oregon that is fair, adequate, stable and transparent (FAST) as described below:

- *Fair:* Contribution of taxes is distributed equitably between individuals and businesses, and between those with lower and higher incomes, with tax rates based on ability to pay.
- *Adequate:* Total tax and other revenues are sufficient to finance the services necessary for the health, education, safety and wellbeing of Oregonians.
- *Stable:* Total tax and other revenues are less volatile than the State economy so that services can be maintained through short-term economic fluctuations such as recessions. Stability can be achieved through a combination of adequate budget reserve funds and a mix of taxes that respond differently to economic changes.
- *Transparent:* the public is fully and promptly informed about both direct program expenditures and indirect tax expenditures. Information should include purpose, amount, expected beneficiaries, fiscal and revenue impact, etc.

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## *Legislative/Advocacy Goals for the 2013 Legislative Session*

1. In determining how to balance the budget for 2013-15 period and beyond, the governor and legislature should explicitly consider reductions to tax expenditures as well as direct program expenditures, i.e., they should be considered in conjunction with each other and prioritized giving due weight to principles outlined above.
2. Support legislation to sunset not only Oregon income tax credits, but all income and property tax breaks including deductions, subtractions, exclusions and credits.
3. Support legislation to consider eliminating, reducing, capping or means testing any tax breaks that unfairly or disproportionately benefit upper-income taxpayers, based on the above principles.
4. Support legislation or administrative action that would clarify whether reducing or eliminating a tax break qualifies as a "revenue raising" measure requiring a supermajority vote.
5. Make considering new tax breaks and renewing those subject to sunset more transparent and accountable:
    a. Include distributional analyses to show which income and societal groups would benefit from the expenditure.
    b. Include explicit and measurable goals, and methodology for analysis.
    c. Require data on tax breaks to be posted to the state's transparency website, including the names of individuals or businesses who receive them, the amounts received, what public benefit was expected, and what was finally realized.
    d. Amend economic development incentives to include claw backs or "taxpayer money back guarantees", so that if recipients fail to deliver on promised benefits they must repay any tax benefits received.
    e. Require analyses of benefits published in the *Tax Expenditure Report* to be performed by entities independent of administering departments and recipients.
6. Support tax expenditures that increase tax fairness such as the Oregon Earned Income Tax Credit.
7. Support revenue raising measures which are consistent with HSCO's adopted FAST principles and State Legislative goals for the tax system as set forth in ORS 316.003.

Approved by the Human Services Coalition of Oregon on 11 February 2013

*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.*