

From the desk of Rep. Jules Bailey

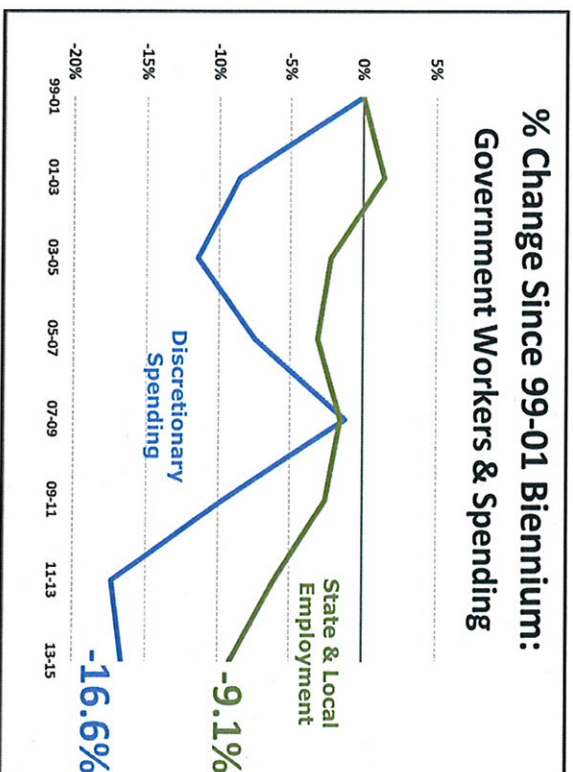
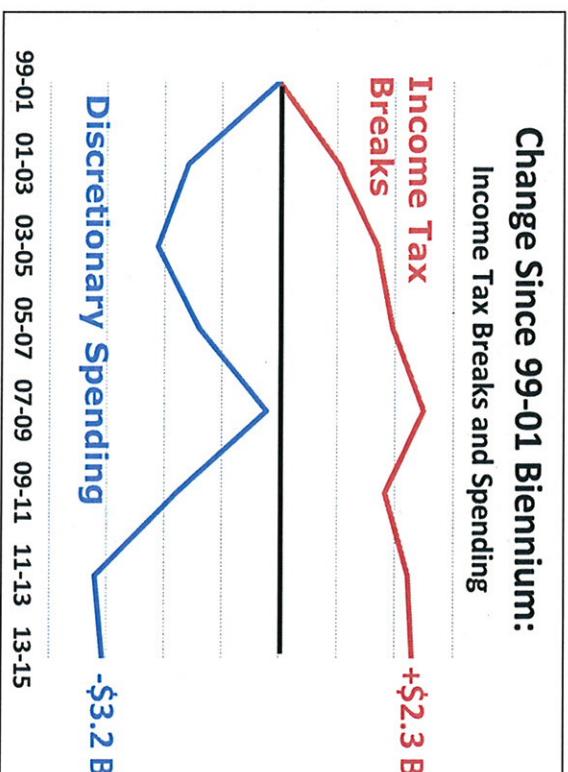
Why HB 2456?

Growth of tax breaks leads to shrinking General Fund Resources ...

The resources available for the state's General Fund have declined about \$3.2 billion or 16.6 percent since the 1999-2001 biennium, when adjusted for the growth of statewide personal income. While the Great Recession of 2008-09 contributed greatly to this decline, the **growth of income tax breaks** is the major culprit. These tax expenditures have grown 40 percent faster than income tax revenues, causing \$2.3 billion or 70 percent of the decline in General Fund resources.

... and shrinking state and local government services in the face of growing needs.

State and local services are constantly being cut, not only because of the loss of General Fund spending power, but also from the **reduction of employment** in state and local governments, in relation to the total Oregon workforce.



HB 2456 will fill only \$275 million of a \$3 billion resource gap, but it will moderate cuts already being made in human services and elsewhere.

Why should wealthy taxpayers pay more?

The top-earning one percent of taxpayers receive subsidies, in the form of itemized deductions and other income tax breaks, far greater than those available to the rest of us. Total tax breaks averaged \$1,270 across the board in 2010. The bottom 20 percent of earners received less than \$300 of this bounty, while the top end got 25 times as much (top graph).

Oregon's income tax structure (bottom graph) is somewhat progressive, but not enough to overcome the regressivity of other state and local taxes. The poor pay more of their income in taxes, while the rich pay less.

HB 2456 will not change the overall regressivity of the system, but it will moderate it slightly, increasing taxes paid by the top earners by half a percentage point, from 7.0 percent to 7.5 percent of their incomes.

Oregon is nationally recognized for its business-friendly tax climate.

That won't change. **Over 90 percent of Oregon's corporate income tax is paid by multistate corporations.** These are mostly large companies headquartered elsewhere. Some of these companies find enough tax shelters, often in offshore tax havens, that they report zero taxable income and pay the minimum tax.

HB 2456 puts all of these companies on the **same tax footing**, by applying the same minimum tax rate to sales over \$100 million as smaller companies pay on sales below that amount.

HB 2456 also starts to crack down on companies that avoid domestic taxes by hiding profits in offshore tax havens.

HB 2456 will provide needed funding for schools and human services. It will also help correct inequities in the tax system between the largest companies and wealthiest individuals – and the rest of us.

