

TO: House Revenue Committee
FROM: Russ Dondero
RE: HB 4141 - Support

Dear Chair Barnhart and Members of the Revenue Committee:

Due to family obligations I was unable to attend or prepare testimony for Wednesday's hearing. However, I've read the testimony on-line from the hearing.

Please accept this "for the record" as my testimony.

I strongly support Representative Ben Unger's initiative.

I think the flow chart he presented to the committee makes this a compelling issue we must address.

For more go to Katherine Driessen's excellent reporting on this issue:

http://www.oregonlive.com/hillsboro/index.ssf/2014/01/tax_abatements_in_hillsboro_wa.html

While there will no doubt be changes as the bill progresses to address technical issues raised by the bill, the main thrust of the bill is right on target.

For too long we have allowed a "culture of dependence" to grow in corporate Oregon, especially within so-called "traded sector" business as if they needed a taxpayer "dole" to compete.

Considering that the primary benefactors of such public largess are global giants like Intel and Nike, this argument is utter non-sense.

While such policies like SIP incentives back in the Atiyeh years might have been justified to recruit or keep such giants in Oregon, that argument is no longer credible.

What has Oregon gotten from such public investments in traded sector corporations? The proponents have one mantra - job, jobs and more jobs. It's true but it's not the whole truth.

What Oregon has also gotten is a huge tax "cost shift" from corporate Oregon to the individual taxpayer and small business owner. Corporate Oregon pays none or less, while the rest of us see our taxes increase while services go down!

Such a deal!

As was debated last session - why not SIPs for small business or family farms? No thanks! Draining general revenue funds with tax giveaways is not the answer! Creating a fair playing field is. Start with taking corporate Oregon off the "dole."

As late as 1997, according to an ECONorthwest white paper for Intel, Oregon's largest

corporation paid \$54 million in state income taxes.

As far as I can figure out Intel pays no or the \$150 minimum annual income tax to support state services including K-12 funding. Unfortunately such info is a "proprietary secret."

I have a copy of the ECONorthwest report if you want to see it, just let me know!

But while Intel gets lowered property taxes and pays virtually no income taxes, it's 17,000 employees pay their own personal property and income taxes, in effect a hidden subsidy of Intel.

This creates an uneven playing field within the ranks of Oregon's largest corporation, an employee/management/investor divide. In Intel's world "all are equal but some are more equal than others."

Nobody in Oregon, certainly not Washington County, wants Intel to go away. But unlike their great employees, it's time Intel paid its fair share to support public services instead of being on the SIP and "abatment" dole.

This taxpayer giveaway to corporate Oregon comes at the cost to our students in larger class sizes and a narrowing of the curriculum. It also comes as a loss to other general fund programs across the board. This is not merely an education issue!

It's also ironic that SIP/Gain Share benefits accrue to Washington county in terms of job creation while the so-called "Other Oregon" like my home town of Roseburg in Douglas County gets the short end of the economic stimulus stick.

So while Washington County becomes the economic engine of Oregon, the rest of Oregon is reduced to a "natural resource" colony in the larger global economy.

I applaud Representative Unger for initiating this important conversation about who pays the taxes in Oregon, the winners and the losers. It's about time we engaged in this conversation.

Ever since Measure 5 passed in 1991 we were told K-12 funding would be held harmless. That promise wasn't true then and it clearly isn't true today!

It's about time Oregonians got an accounting of how their tax dollars are spent. Specifically, it's about time we looked into programs like SIP, Gain Share and urban renewal programs to see whether we are getting our "bang for the buck."

I would like to see recipients of such programs have to undergo annual, verifiable and independent auditing of job creation claims. Such reports ought to go to legislators so they can due their due diligence in oversight on SIPs etc.

Representative Unger's bill is a good first step.

In closing, I find it morally an affront that the largest recipient of tax payer "doles" via SIPs is Intel, a corporation which is a "major source" polluter of greenhouse gas emissions here in Washington County! That's not a benefit I want from my taxes!

Intel is engaged with groups via a "good neighbor" process in Washington County to clean up its act. Let's hope they do!

Respectfully,

Russ Dondero,
Professor Emeritus, Pacific University
Senior Policy Analyst, WC CAN - <http://www.wc-can.org/>
1506 Limpus Lane, Forest Grove, Oregon 97116
(503) 357-3345