

We would like to suggest the following tweaks to HB 2940 – which will be explained by my colleagues –

- Provide that data and summarized reports required by this Act are collected into a **single unified, sortable and downloadable database** subject to disclosure to the general public on the DAS transparency website;
- Requires recipient **employers** to submit annual reports to granting bodies;
- Requires granting bodies to publish reports on granting bodies' websites annually and **that directs granting body or the Department of Revenue to reduce or recapture subsidy for noncompliance;**
- **Requires property-taxing** entities to report annually to Department of Revenue regarding property tax abatements, exemptions and credits **[included in HB 2940]. We support this provision in the bill;**
- **Directs Secretary of State to conduct audits of recipient employers every three years;**
- Provides that an **administration fee of [4%?] of the value of each economic development subsidy be paid by the recipient employer for the implementation, administration, audits, oversight and evaluation of records required by this Act.**



Washington County Citizen Action Network

## **A HOME OF THEIR OWN**

*~ Interfaith Committee on Homelessness ~*

Testimony in support of **HB 2940**

**House Revenue Committee, March 11, 2015**

**TO: Chair Barnhart and members of the House Revenue Committee**

**FROM: Russ Dondero, PhD**, Professor Emeritus, Department of Politics & Government, Pacific University

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### **Chair Barnhart and members of the Committee:**

We want to take advantage of what seems to be an emerging consensus in this session that we must do the best job we can to manage taxpayer investments with due diligence.

We think improvements can be made in managing our investment programs be it the SIP program or other such investment tools the state uses to retain or attract business.

Our TRIA coalition working group has been meeting for over 18 months to draft a bill to make sure that taxpayer investments in

Oregon business be it through SIPS, grants, loans or tax credits are universally transparent and accountable.

We have vetted our drafts with legislators and others over this time.

Our bill **HB 2087** focuses on making sure taxpayer-funded investments are carefully monitored to make sure we get the "biggest bang" for our taxpayer buck.

*The key question for us has been - are subsidies for corporate Oregon which result in property and income tax reductions producing promised high quality jobs and helping local communities navigate a global economy or are they draining money from basic services - such as schools, human services and transportation?*

*Without robust data that is shared with legislators, the public and the media in a uniform and transparent manner - we can't answer this basic question.*

Our bill **HB 2087** is the result of our labors but we discovered that Representative Lininger's bill **HB 2940** accomplishes many of the goals we set out in our bill. However, we would like to offer from our bill some amendments to HB 2940.

We also support **HB 2077 which** requires tax disclosure statements be filed with the Secretary of State.

**HB 2630** introduced by Representatives Smith Warner, Lininger, Barnhart, Buckley, Greenlick Lively, Piluso & Vega Peterson will move the needle along the right path as well by establishing job creation and retention benchmarks which our bill HB 2087 also focused on.

Together **HB 2940, HB 2077 and HB 2630** accomplish what our bill HB 2087 set out to do. This will put us on a good path enabling legislative oversight and public transparency.

My colleagues will detail those "friendly amendments" which will make HB 2940 even more robust as we seek to make sure that the taxpayers of Oregon are getting the biggest bang for their bucks when they invest in Oregon businesses through SIPS et al.

As I've noted previously -

Washington County is in a very privileged position as the home of Intel and it's 17,000 employees. Intel gets millions in SIP property tax

breaks more than any corporation in Oregon while paying a \$40 million "discounted" rate in property taxes last year but likely the biggest property tax bill in Oregon. Washington County gets the lion's share of Gain Share funds in return.

However, the "other Oregon" where I grew up, Roseburg, isn't so privileged. It seems "while all counties are equal some are more equal than others."

But despite Gain Share not enough money is in the pot to fix the long-standing deficits accrued over the years with the passage of Measure 5 in 1991 and its progeny Measures 47 and 50. So the tax breaks Intel et al get from SIPs leads to an accumulating budget deficit at the local level.

Given SIP abatements on Intel's property Intel's property tax payments are considerably less than the investment value of its property and its real market value. It's property taxes are at a "discounted" rate which saves Intel millions of dollar annually in effect shifting local property tax burden for schools et al to other taxpayers including its own employees (see attachment below).

It's my personal opinion, that not only must we monitor SIP money more carefully but Oregon faces a longer term challenge - that posed by the personnel kicker which may remove over 300 million from the general fund this coming biennium and the long standing issues raised by Measure 5.

I don't need to lecture your committee about this long-term challenge to fiscal stability in Oregon.

But for now HB 2940 gets us started on the right path so we can sort out such issues.

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*The views expressed above are my own not representing Pacific University...*

As an example of the tax breaks **Intel** gets, according to the online report from **Business Oregon** signed by Morgan Anderson, Intel's NW Regional Government Affairs Manager dated **March 30, 2011**, on one of the many **Strategic Investment Programs (SIPs)** intel has received on its **Ronler Acres** site – it's property tax savings are considerable.

#### 2010-11 fiscal year company reports

The cumulative investment value of this project at the time of the report was **\$2,241,000,000**.

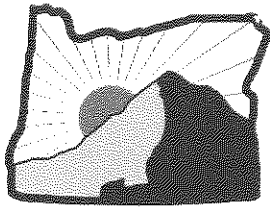
The total real market value of the project was **\$446,807,540**, the assessed value of **exempt** property was **\$305,965,570**.

The assessed value of taxable property was **\$140,841,970**.

The property taxes paid on it's discounted **non-exempt** property was **\$2,294,955** which saved Intel **\$4,956,642**. Intel paid an additional Community Service fee to Washington County of **\$1,316,416**. This saved Intel over **\$1.3** million in property taxes on this one property.

Check the website out for yourself – page 25 - 29

<http://www.oregon4biz.com/assets/public-records/SIP/2010-11EmpRpts.pdf>



## OUR OREGON

Friends,

We live in an era of Big Data, and we know that no matter the industry, data helps us make more informed and accurate decisions. It's frustrating, then, to see that Oregon's legislators don't have access to the data they need to make good tax decisions. Lawmakers are like the rest of the world - they make the best decisions when they have access to good information.

Right now, **special interest lobbyists are asking for all sorts of favors with our tax dollars, yet legislators have no way of knowing whether or not public corporations are paying their fair share of taxes.** Unlike at the federal level, public corporations in Oregon are not required to disclose how much they pay in taxes.

**This lack of information leads to bad decision making and shifts the burden of taxes to all of us.** How do we know? Well, we don't get to see what individual companies pay, but we do know that Oregon has the nation's lowest business taxes. And thanks to a loophole in Oregon's tax laws, corporations can use tax credits to avoid paying even that.

With incomplete information, we can't clearly evaluate whether our current policies are creating the intended outcomes. We can't make sound plans to alleviate the revenue problems our state faces, and restore funding to many crucial services.

**There are bills in this Legislative Session that would make sure that public corporations would report how much they pay in state taxes.** This could encourage Salem to prioritize lowering taxes for small businesses that can't afford them, while increasing taxes on the large and out-of-state corporations that make billions in profits each year.

**We need corporate disclosure in Oregon. Simple disclosure that matches the federal standards will help the Oregon Legislature create policies that are fair and that will improve the lives of Oregonians.**

Corporations already report their federal taxes, and they should do the same for their state taxes. With good information comes good policies, and that means a better Oregon for all of us.

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Our Oregon