

March 30, 2015

Dear Mr. Chairman and Members of the Committee

I am a retired attorney, and spent most of my 40 year legal career in public service litigating on behalf of taxpayers. I have often had questions about the cost versus benefit of providing tax incentives to businesses, while recognizing the need for a balanced approach to enable businesses to locate and grow in Oregon.

According to the “Economic Development for Central Oregon” (EDCO) website:

“Oregon consistently ranks among the lowest cost states for business according to independent research organizations such as Forbes, Ernst & Young, The Tax Foundation, and the American Institute for Economic research. In addition to this distinction the state has more tools and incentives encouraging job growth and investment than any of its neighbors, including Washington, California, Idaho, and Nevada.

Through incentives, Oregon offers (to employers that qualify) a virtually tax-free operating environment – both in the short or long term.”

Is providing a virtual tax free environment to business while ranking 47th among the 50 states in funding higher education a balanced approach?

Attached to my written testimony is a list of Oregon tax incentives listed in the EDCO Website. Look at the Oregon Trade Promotion Program (STEP) - 4th from the bottom of the first page. This program provides taxpayer funded reimbursement of up to \$5000 of international trade show costs. Is that one really necessary? The federal deduction for business expenses isn't enough?

I wonder – Do business claim the federal deduction for the expenses paid by Oregon taxpayers?

Taxpayers and businesses demand transparency in government, and rightly so. There are a number of ways that accomplish that. One example is the notices that are posted on some road construction projects that inform taxpayers that the construction is funded by a certain amount of tax revenues. When a taxpayer enters business or logs onto a business web site, should not a similar notice be required of a business that informs the consumer that "This business is funded in part by a 100% property tax exemption for 15 years" at a cost to the taxpayers of , say 1.5 million dollars, or whatever the amount would be? I recognize that such a requirement would be politically impossible, but there should be mechanisms in place to see if government tax incentives are worth it.

One of the interesting things about our society is that, in many areas, the more important work that one does, the less they are paid. In my profession for example, the most important lawyers are prosecutors. They are the only lawyers that walk into a courtroom with the ethical obligation to do justice. No lawyer of any type should be paid more than them, yet they are among the lowest paid. The same is true of teachers. This is the most important profession of all, for without them we would not have doctors, business professional, scientists, CEOs, engineers plumbers or carpenters. Yet teachers are frequently belittled in our public discourse and criticized for the wages they are paid.

Attached to my written testimony is a salary scale for Portland Public School Teachers. I am informed that the typical starting salary for teachers (which are usually hired with a master's degree) is \$45,930, the number circled on the exhibit.

I recognize that the wages listed do not include retirement and benefits, but \$45,930 for a starting teacher with a master's degree is all we can afford? In my opinion all the numbers on this sheet should be doubled.

HB 2940 needs to be passed so that we can determine if all the incentives awarded business so they can operate "virtually tax free" are worth the low wages that we pay our public servants.

Finally, I would like to suggest an amendment which arises from my 40 years of litigation. It strikes me that determining the number of jobs created "due to" tax incentives may be subject to

argument and debate. I suggest that on lines 28 and 31 of page two of the bill, the words "due to" be replaced by the word "after" and add the words "are granted" after the word "subsection". It may just be better to get the hard numbers.

Thank You.

A handwritten signature in black ink, appearing to read "DJ", written in a cursive style.

David L. Jorling

Oregon Tax Incentives

Incentive	What it does
<u>Standard Enterprise Zone</u>	Exempts 100% of real property and equipment used in the production of tangible, intangible goods for three years.
<u>Extended Enterprise Zone</u>	Exempts 100% of real property and equipment used in the production of tangible, intangible goods for five (5) years.
<u>Long Term Enterprise Zone</u>	Exempts 100% of property tax on real and personal property for up to 15 years. Provides up to 15 years of Oregon corporate income tax credits.
<u>Rural Renewable Energy Development Zone (RREDZ)</u>	Provides the same 100% property tax exemptions of enterprise zones for renewable energy development (generation) projects.
<u>Oregon Investment Advantage (OIA)</u>	Exempts Oregon income taxes for 8 years following 24 months of operation.
<u>Immediate Opportunity Fund (IOF)</u>	Reduces the cost of needed transportation infrastructure for job-creation projects.
<u>On-the-Job Training (OJT) Grant</u>	Cash reimbursement for on-the-job training for specific employer-needed skills.
Deschutes County Economic Development Fund	Cash incentive for job creation.
Incentive Rate Industrial Land	Below-market industrial land for qualifying projects.
X <u>Oregon Trade Promotion Program (STEP)</u>	Reimbursement of up the lesser of \$5,000 or 50% of international trade show costs.
<u>Energy Trust of Oregon</u>	Cash incentives for energy efficiency.
<u>Oregon Manufacturing Extension Partnership (OMEP)</u>	Subsidized training and consulting services to help small to medium size companies with production efficiency and continuous improvement.

Strategic Investment Program (SIP) Exempts from property taxes a major portion of large capital investment (more than \$25 or \$100 million) in certain areas of Central Oregon.

Construction-in-progress Tax Abatement Commercial and non-utility facilities can be exempt from property taxes while under construction and not in use on January 1 of the assessment year, for up to two years.

Food Processor Property Tax Exemption New machinery and equipment may be exempt from property taxes for five years anywhere in Oregon, if used in primary food processing of raw or fresh fruits, vegetables, legumes, nuts or seafood.

Standard and Extended Enterprise Zone Brochures

The program offers 3 to 5 year, 100% property tax exemptions for new capital investments (buildings and certain equipment) for qualified companies who meeting minimum job creation and wage levels. Certain zones also offer other benefits including permit and SDC discounts, reduced sewer and water charges, and other local incentives.

Source: <https://www.edcoinfo.com/incentives-capital/>

Portland Public School
 Labor Agreement
 APPENDIX A-4

SALARY SCHEDULE FOR JULY 1, 2015 – JUNE 30, 2016

	<u>BA+0</u>	<u>BA+15</u>	<u>BA+30</u>	<u>BA+45</u>	<u>BA+60</u> M+0	<u>BA+75</u> M+15	<u>BA+90</u> M+30	<u>MA+45</u>
A	38,516	40,249	42,060	43,954	45,930	47,998	50,159	52,416
B	39,825	41,617	43,492	45,448	47,494	49,632	51,861	54,196
C	41,181	43,033	44,967	46,994	49,108	51,319	53,626	56,040
D	42,579	44,497	46,497	48,592	50,776	53,063	55,451	57,943
E	44,027	46,007	48,079	50,244	52,505	54,866	57,335	59,915
F	45,526	47,571	49,712	51,950	54,288	56,730	59,284	61,953
G	47,070	49,189	51,403	53,718	56,133	58,659	61,302	64,060
H	48,672	50,864	53,152	55,544	58,043	60,655	63,386	66,236
I	50,328	52,593	54,959	57,431	60,016	62,715	65,539	68,488
J	52,039	54,380	56,826	59,384	62,057	64,849	67,768	70,815
K	53,807	56,229	58,760	61,402	64,167	67,057	70,072	73,226
L	55,640	58,136	60,756	63,492	66,355	69,343	72,464	75,737
M	57,538	60,119	62,829	65,658	68,619	71,708	74,936	78,321

Add \$1500 for earned Doctorate in field related to assignment.

Add \$1500 for National Board Certification.