

**Testimony to the Senate Finance & Revenue Committee**  
**SB 925, April 28, 2015**  
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Chair Hass and Committee Members:

I would like to voice my support for SB 925, which “directs Legislative Revenue Officer to report to Legislative Assembly on options for tax reform and make recommendations for legislation intended to reform current tax system.” This bill would give the Legislature a clear direction to follow when thinking about designing a blueprint for tax reform. I would like to bring to the committee’s attention other major studies that have been commissioned by governments or produced by esteemed institutions that call for fundamental tax reform.

First, in the *Re:think Tax discussion paper* done for the Australian government, various taxes are compared to each other based on the costs they impose on the economy, aka the marginal excess burden. They found that broad-based taxes on land have the lowest burden on the economy (pp. 25, Chart 2.9), so much so that the burden was actually negative, meaning that a shift to broad-based taxes on land would have positive welfare benefits beyond funding necessary public expenditures. All other taxes would enact costs of varying degrees on economic welfare.

Echoing the Re:think paper is the *Understanding the Economy-Wide Efficiency and Incidence of Major Australian Taxes* study done for the Australian Treasury department. It also found that “the most efficient tax is a hypothetical broad-based land tax.” Also, the Treasurer report named *Australian’s Future Tax System*, aka the Henry Tax Review, also supported moving towards taxes on land and resources.

The OECD also did a study comparing differing tax regimes and their impacts on growth called *Tax and Economic Growth*, and they found that “Corporate taxes are found to be most harmful for growth, followed by personal income taxes, and then consumption taxes. Recurrent taxes on immovable property appear to have the least impact. A revenue neutral growth-oriented tax reform would, therefore, be to shift part of the revenue base from income taxes to less distortive taxes such as recurrent taxes on immovable property...”

In all of these reviews, there is a common thread: broad based taxes on the value of land are the most efficient, while taxes on corporate and personal income are very costly to the economy to collect. This means that Oregon’s current tax structure needs a thorough review because it relies on the income tax, both corporate and personal, heavily and this is leading to the economy being burdened with extra costs than it should be if another tax system were in place. SB 925 would give our legislators a look into those costs and offer similar remedies, based on the universal recommendations of other studies, and so it should be supported.

Thank you for your consideration.