



## **HB 2830-2 Testimony in Support of HB 2830 -2**

Tax Reform Committee – Jody Wiser – 6.15.2017

We thank you for the work you've done, and the work ahead. We appreciate your extraordinary effort and thoughtful attention to the issue. And, we appreciate the opportunity to comment.

As Edie Rusch has pointed out in the TFO Handout – Funding Schools, there are compelling reasons to move forward: at least 570,000 of them in our k-12 system, plus the youngsters in pre-k programs and the adults in higher ed. For these Oregonians, we implore action so that their lifetimes are enhanced beyond the improvements made since the recession. What we offer will remain mediocre without more revenue. In addition, just to maintain human services at their current level, we need additional revenue.

Because you have every reason to want to get the chance to do the CAT “right”, we support the Bridge Plan. It provides time to clarify your intentions in law, and for the Department to write rules and test them. The Bridge Plan is built on the current infrastructure. It will therefore be easy to implement, and thus can easily provide the time needed.

We also note that between the provider tax, cost containment and this proposal, you will have surpassed the \$1.4 b gap, and can actually follow through on the goal to improve education and service budgets! Hurray!

On the CAT proposal we have two technical comments:

1. We are pleased to see that proposal now directs the Personal Income Tax reductions to the first \$25,000 of income for single filers and \$50,000 for joint filers. While this provides a benefit to all tax filers, it still delivers no benefit to disabled vets, seniors living on social security and students. It only gives \$20 to a family living on a single minimum wage job, while it gives \$150 to all middle and higher income families (joint filers). Given the time the Bridge proposal provides, this is an area that should be further refined. The OCPP model, doubling the standard deduction (which would benefit the 54% of Oregonians who use the standard deduction), or a simple, flat refundable tax credit should be explored.
2. We believe that the pass-through entities' discount is an effort to help small locally-owned and start-up businesses. But many technology and bio-technology companies are organized as c-corps even as they first start out, while some huge companies are now held as pass through entities. This construct might need further consideration. Perhaps a reduction in tax rates based on business age, size or gross receipts would work more successfully than one directed simply at pass-through entities.

**Meanwhile, we have two suggestions for life under the Bridge Plan.**

1. **Improve the Corporate Minimum Tax.** As you can see on the chart, our “TFO Table of Corporate Minimum Tax Reform Options” the current Corporate Minimum has brackets for receipts from \$0 to \$100 million and then is capped.

That means a business with 10 stores and sales of \$100 million pays the same amount as a business that is 10 times larger, with 100 stores and \$ 1 billion in receipts.

Further, the brackets are extremely varied. At the beginning of the chart, there is an increase in the tax for each million or less in receipts, while the bracket grows to \$50 million wide between \$50 million and \$99 million.

We recommend using brackets only below \$3 million in receipts, and then a simple .2% flat rate thereafter.

2. **Improve current programs and services rather than start new ones.**

There are numerous bills waiting in Ways and Means and in Revenue and Tax Credits Committees which initiate new programs or tax breaks. There are “asks” of W&M for spending as diverse as setting up college savings plans for newborns, setting up the Oregon Agricultural Heritage Program, and augmenting the budget of the wine board.

In Finance and Revenue, Revenue, and Tax Credits you have bills requesting tax breaks for seismic upgrades, for the New Market Tax Credit program, for home ownership down payment savings accounts, and for interest on college debt.

**Of course you would be delighted to support innovative proposals like these, but until Oregon has a fundamentally fair and adequate revenue stream that can support its current programs, the legislature must not add to the state’s responsibilities.**

**The solution of the Bridge Plan with the CAT to follow is artfully crafted to meet our most pressing, immediate needs while designing a long-term solution. You can improve it by adjusting the rates on the corporate minimum tax and make it work by resisting every urge to spend more on new worthy programs that we can’t yet afford.**

**Thank you each of you for working so hard on revenue reform.**

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Separately, you will find a TFO Table of Corporate Minimum Tax Reform Options showing how our proposed corporate minimum tax compares to Oregon’s current corporate minimum tax amounts, the Bridge Plan amounts, and HB 2830 Gross Receipts tax (figured at a .5% average), while the chart below shows how the 8% and 9% Corporate Income Tax rates compare to top income tax rates in other states.

## Highest Corporate Income Tax Rates --- If Oregon adopts the Bridge Plan:

| STATE           | TOP RATE  | ON AMOUNTS OVER    |
|-----------------|-----------|--------------------|
| • Iowa          | 12%       | \$125,000          |
| • Pennsylvania  | 9.99%     | \$0                |
| • Minnesota     | 9.84%     | \$0                |
| • Alaska        | 9.4%      | \$222,000          |
| • Washington DC | 9.4%      | \$0                |
| • Connecticut   | 9%        | \$0                |
| • New Jersey    | 9%        | \$100,000          |
| • <b>Oregon</b> | <b>9%</b> | <b>\$1,000,000</b> |
| • Maine         | 8.93%     | \$250,000          |
| • California    | 8.84%     | \$0                |
| • Delaware      | 8.7%      | \$0                |
| • Vermont       | 8.5%      | \$25,000           |
| • Maryland      | 8.25%     | \$0                |
| • New Hampshire | 8.2%      | \$0                |
| • Louisiana     | 8%        | \$200,000          |
| • Massachusetts | 8%        | \$0                |
| • <b>Oregon</b> | <b>8%</b> | <b>\$0</b>         |

*We read the bills and follow the money*