



HB 4080 Updates connection date to federal Internal Revenue Code and other provisions of federal tax law.

Testimony for House Committee on Revenue

Dr. Edith Rusch February 6, 2018

Chair Barnhardt and Members of the House Revenue Committee

Tax Fairness Oregon does not support connecting Oregon's 529 College Savings Plan to the amended federal Internal Revenue Code. The federal code expanded the definition of "qualified higher education expense" to include tuition at elementary or secondary private or religious schools – which means you can now take federal tax-free withdrawals (up to \$10,000) to pay for K-12 tuition at any private school.

We understand that disconnecting from the federal code may have legal implications for Oregon's 529 plan and we certainly do not want to harm Oregon's current college savings plan. As we reviewed HB 4080 and looked at the 2018 federal 529 rules, we would suggest tying Oregon's definition of higher education institution (Line 6) to the 2016 federal definition. That approach was used when Oregon did not want to adopt the federal tax codes for estate taxes.

As currently written, it appears that HB 4080 just increased the tax break for anyone who has enough money to contribute to a 529 account. I think we can assume that Oregon's private school population of 56,400 students will increase and I guarantee that the majority of the benefits will be to families that can afford tuition at Catlin Gabel!. Is that a 'choice' you are making with this tax code connection?

I want to focus your attention on the "choices" made in this building for children in Oregon's public schools.

Choice 1: Listen to and accept a report that tells you the Quality Education Model—a plan this body asked for-- is underfunded by \$1.8 B.

Choice 2: Approve tax credits for various and sundry programs and business and avoid addressing state tax reform that would bring stability to public services.

Choice 3: Denounce Oregon's low graduation rates and yet choose to fund the shortest school year in the nation?

Due to choices made by well-meaning legislators, Oregon's public school students do not have equal choices of a rich curriculum, equal choices for Career and Technical education, equal STEM opportunities, equal preparation for post-secondary education or equal access to early childhood education. I would argue that adult 'choice-makers' own the low graduation rates!

Last spring a high school student that had just transferred high schools so she could get the classes she needed to graduate, confronted a panel of legislators by asking, "**Am I worth investing in as a student?**"

So please keep that young woman and every young student in your mind's eye as you choose. Until you have fully invested in Oregon's public education students, you should not be investing in private and religious school students.

We read the bills and follow the money