



February 6, 2018

To: Members of the House Revenue Committee

Fr: Matt Swanson, SEIU Local 503

Re: House Bill 4080

Chair Barnhart and Members of the Committee,

On behalf of the members SEIU Local 503, an organization of more than 72,000 people who are standing together to improve the lives of working Oregonians. We provide valuable services to our communities, doing more than 500 different jobs in 85 state, local government and non-profit agencies and care facilities.

We would support elimination of the special pass through rates entirely at the state level and disconnecting on the federal portion, because it only seems fair that business owners pay the same rate as those who work for them. Currently, according to the Legislative Revenue Office, this preferential tax treatment is expected to cost \$239 million. Over 92% of the total cost of this preferential rate goes to claimants who take home over \$200,000 per year and 69% goes to those making more than \$500,000.

We believe that this does not meet the state's goals. There are many tax breaks or tax credits that make sense because they meet a stated goal, the vast majority of the pass through tax break goes to the wealthiest Oregonians. We believe that Oregonians would support a reduction or elimination of this tax break to invest in essential services. To the extent that the new federal tax law increases this giveaway, we should disconnect.

SEIU believes that there are other categories that deserve your attention while deciding whether or not to reconnect. As corporations repatriate income under the reduced federal tax rate, there will be a brief window during which Oregon can address how best funds currently stashed offshore. Additionally, we should determine whether or not to connect to the provisions dealing with bonus depreciation. This committee should consider the immediate and long impacts of the massive tax reform package passed in Washington D.C.

Currently there has been a lot of debate about cuts to the program that serves children with intellectual and developmental disabilities, and thousands of families are at risk of

losing services because of a \$12 million reduction to the program. We should not be creating new tax breaks, when we have critical programs being cut. If we do create some tax breaks, we hope that we will fund the current need in the budget first. If we can pull back tax breaks going to the wealthiest Oregonians and appropriately disconnect from the Federal tax code, those dollars can be put to good use in our current state budget.