

FROM THE DESK OF REP. BARBARA  
SMITH WARNER

*Barbara Smith Warner*



## Please Support SB 1528B to Retain Oregon's Expected Revenue

Until Congress passed the federal Tax Cuts and Jobs Act two months ago, Oregon expected to collect a certain amount of revenue for the current biennium. The budget writers in Ways and Means developed a two-year budget based on that revenue. Now, Oregon and most other states must determine how the new federal tax system will affect state revenues and must work to preserve Oregon's priorities, not Washington, DC's.

**SB 1528B disconnects from a new provision of the federal tax law that could not be anticipated last spring, when Oregon's 2017-19 budget was crafted.** That provision creates a special tax break for individuals who own certain types of businesses. It will plow an enormous **\$258 million to \$270 million** hole in Oregon's already-tight budget. To dig out of the hole, the Legislature might have to cut the budget. \$270 million is equivalent to **more than 1500 teaching jobs over the two-year biennium.** Or, we could just **lop 11 days off the school calendar, even though we already have one of the nation's shortest school years.**

Some have argued that SB 1528 hurts small business, but this is simply inaccurate:

1. The tax break is new, so business owners have not planned for it, nor have they ever claimed it.
2. Any business owners who qualify for this federal tax break will still be able to claim it to reduce their federal taxes. [See attached table for amounts.]
3. Many of these business owners already receive an Oregon tax break, passed in the 2013 "grand bargain", that allows them to pay a **much lower, preferential tax rate than that paid by our members – the teachers, aides, cafeteria workers, and bus drivers.**
4. According to the nonpartisan Legislative Revenue Office, **61 percent** of the federal tax break, if allowed for state taxes, **would flow to the richest 5 percent of Oregonians – not to the "little guy".**

Many of you have heard from our members of the crisis currently afflicting our students and schools. With more than half our students classified as low-income, and with two-thirds of them scoring a 4 or higher on the ACES scale ("Adverse Childhood Experience" metric), and 23 percent of these children experiencing homelessness, our classrooms have become increasingly disrupted by students who cannot cope with the triple whammies of poverty, dysfunction, and high class size/less individualized attention. Now is not the time to exacerbate a critical complex of problems by reducing state revenue by such jaw-dropping sums. That is especially true here, because this tax break is widely regarded as an expensive carve-out that makes the tax code more complex and ripe for abuse.

**One final note:** some have argued that SB 1528B is a tax increase for small business. This is an incorrect argument for several reasons. First, as noted above, it disconnects from a policy that has never before existed nor been used, so it cannot be called an "increase". Not one person will pay, as a result of this, a single dime more of Oregon state income tax than they did before Congress invented this new giveaway. Second, using the term "small business" conjures sympathy because we all care about the vitality of Oregon's economy, especially at the local, ma-and-pop level. As we've established, the vast majority of the loophole would apply to those making hundreds of thousands of dollars of income. Oregon already provides a variety of supports for truly small businesses, including grants, loans, tax breaks, and just this session, SB 1516, the Small Business Expansion Loan Fund.

**A vote for SB 1528 is a vote for balance. Please support this important legislation.**