

## Millionaires don't need more tax breaks. Will the Oregon legislature give them more next week?

*Commentary*



August 5, 2020 By [Daniel Hauser and Juan Carlos Ordóñez](#)

There is no good time for a new tax break for millionaires, but especially not during the worst economic crisis in nine decades, a time when so many Oregonians hang by a thread. And yet Oregon's rich — a predominantly white club — are on course to cash in new tax breaks, unless the Oregon legislature blocks them.

The tax breaks at issue originated in Congress, but Oregon will get stuck with them if state lawmakers fail to act. In March, Congress passed [several legislative packages](#) in response to the COVID-19 crisis. Tucked inside one of those emergency rescue packages was [a trio of tax breaks for rich business owners and corporations](#). Because Oregon mostly connects to the federal tax code, tax changes made by Congress can become part of Oregon law automatically. In effect, Oregon doubles down on the federal tax break unless the Oregon legislature disconnects from the tax change. That is the case here.

Allowing these tax breaks for the rich will disproportionately benefit white Oregonians, while creating greater pressure to cut programs that help Oregonians struggling to make ends meet — disproportionately Oregonians of color. The tax breaks arrive at a time when Oregon faces a large revenue shortfall caused by the coronavirus-induced recession. With resources already in short supply, the tax breaks will reduce available revenue by about [\\$225 million](#). These funds could be used to prevent deeper cuts to essential public services or to relieve some of the economic suffering so many Oregonians are enduring, rather than channel those funds to the rich.

When it meets in special session next week to address the revenue shortfall, the Oregon legislature should disconnect from the three new tax breaks.

### The tax breaks subsidize the rich, a nearly all-white club

The three tax breaks created by Congress in March by-and-large benefit rich business owners and corporations. As a result, the tax cuts will flow to a privileged, predominantly white group.

One of the tax breaks is so skewed to the top that the vast majority of the beneficiaries are [people who rake in at least \\$1 million in income a year](#). This loophole removes any limit on the ability of owners of pass-through businesses (businesses not subject to the corporate income tax) to

congressional Joint Committee on Taxation estimates that [82 percent of the tax benefits will flow to taxpayers with \\$1 million or more in yearly income](#), including real estate developers and hedge fund managers.

The other two tax breaks also benefit business owners and corporations. The first of these loosens the rules by which businesses can deduct operating losses incurred one year against profits made in prior years, while the second provision gives businesses greater flexibility to deduct interest owed on their loans. Prior to the coronavirus crisis, [big corporations and private equity groups](#) had been lobbying Congress to enact these tax breaks.

In benefiting those at the top, these tax breaks further advantage white Oregonians over Oregonians of color. The U.S. population was about 69 percent white in 2014, yet that year white people collected about [88 percent of all income accruing to the richest 1 percent](#) of Americans. Simply put, rich people are overwhelmingly white.

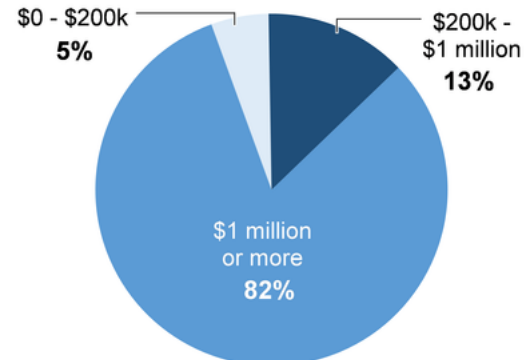
The lopsided benefits for white Oregonians from the tax breaks also follow from the fact that business ownership is concentrated in white hands. Generations of [racist lending practices](#), [exclusion from owning business property and entering into contracts](#), and the [material destruction of BIPOC-owned businesses and property](#) have left business ownership a disproportionately white domain. While whites make up about 76 percent of Oregon's population, they own about 87 percent of all firms, and their companies account for about 92 percent of all sales.

Corporate tax breaks also disproportionately benefit white Oregonians. Corporate taxes are [largely paid by the owners of the company, the shareholders](#). Nationally, the [data shows owners of stocks and investments funds are disproportionately white](#). White people [own stocks](#) at four times the rate as Black people and more than four times the rate of Latinos. The racial disparities are even worse when it comes to ownership of pooled investment funds, such as mutual funds.

For both sets of beneficiaries of these tax breaks – business owners and shareholders – high-income white families receive the inequitable majority of the benefits.

## Tax giveaway goes to millionaires

Share of elimination of pass-through loss limitation received by income group nationally



Source: Joint Committee on Taxation distributional estimates for 2020.

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## Tax breaks for the rich siphon funds that can help struggling Oregonians

The coronavirus crisis has created a huge revenue shortfall for the state, as tax collections have nosedived along with employment. The state has a general fund "budget problem" of about \$970 million in the current budget period. To close the gap, [lawmakers are considering using](#) reserves, accounting maneuvers, and about \$400 million in budget cuts.

These cuts would harm services that benefit all Oregonians, including Oregonians of color. From reduced assistance to children and youth needing behavioral health treatment to programs that support people living with developmental disabilities, the harm would be real and significant for Oregonians in the greatest need. Although there is no available analysis of the racial impact of the proposed budget cuts, the long history of and still-present racist structures have left Oregonians of color in a more [economically precarious situation](#) compared to white Oregonians.

In addition to those who would suffer from budget cuts, there are many Oregonians right now struggling to get by — Oregonians who could use additional help from the state. In a recent survey, some [320,000 adult Oregonians](#) — 10 percent of all adults in the state — reported that their households sometimes or often lacked enough to eat in the last seven days. Also, in early July, 13 percent of Oregon renters reported being behind on the rent. Undoubtedly, many of these Oregonians struggling to pay for food and rent are those who have had difficulty accessing unemployment insurance or are altogether excluded from the program.

In the group of the excluded are Oregonians without legal status, a group overwhelmingly made up of immigrants of color. Undocumented Oregonians perform vital, even essential work, yet they do not qualify for unemployment insurance or most forms of public assistance. Many Oregonians without legal status work in industries hard-hit by the economic lockdown, including restaurants and the hospitality industry. To its credit, the Oregon legislature has allocated \$20 million to the [Oregon Worker Relief Fund](#), which provides temporary disaster relief to undocumented immigrants who have lost their wage because of the pandemic, and \$10 million to the Oregon Worker Quarantine Fund, which provides relief to agricultural workers who have had to quarantine due to potential exposure to COVID-19. These funds, however, pale in comparison to the need, as well as to the amount that rich business owners and corporations could receive if the legislature allows these three tax breaks to take effect in Oregon.

Rich Oregonians are the epitome of privilege, white privilege. They do not need more tax breaks, especially when those resources could be used to relieve the suffering of Oregonians hit hardest by the pandemic.

**[Take action: tell the legislature to reject the tax breaks for millionaires.](#)**

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