



Pass LC 2: Disconnect Oregon from Tax Loopholes in the CARES Act

Once again, Oregon's general fund is at the whim of Congress because of its connection to the definition of income. Under LC 2, the state would disconnect from three provisions that would reduce General Fund revenue by \$225 million in this biennium.

The Legislative Revenue Office, in [Revenue Report 3-20](#), has explained them, and we need not repeat its analysis. We single out one of the them, the modification of business loss limitations on non-corporate taxpayers (section 2304 of the CARES Act), because the congressional Joint Committee on Taxation (JCT) [produced a distributional analysis](#) of it.

Section 2304 will reduce Oregon revenue by \$89 million in this biennium. Extrapolating the JCT analysis for Oregon: 95% of that \$89 million will go to individuals reporting at least \$200,000 in income – in 2020, during a recession. About 82% of it will go to individuals reporting over \$1 million. At the other end of the scale, 2% will go to taxpayers with incomes up to \$75,000.

The JCT produced no distributional analysis for the other provisions. We assume their benefits are similar.

TFO endorses any measure to disconnect Oregon from the CARES Act tax expenditures.

Nineteen states are similarly connected to the federal code. Four of them – New York, North Carolina, Georgia and Colorado – have disconnected from CARES Act provisions. Nebraska is considering doing so today. To protect itself from additional congressional whim, New York disconnected its personal income tax law from all federal changes in enacted after March 1, 2020, and before January 1, 2022.

As Congress continues to direct largess in ways that conflict with Oregon's statutory tax principles of "fairness and equity" ([ORS 316.003](#)), the legislature should consider "opting out" of the federal tax code.

We read the bills and follow the money