



Date: August 7, 2020
To: House Revenue Committee, Chair Nathanson and Members
From: Laurie Wimmer, OEA Government Relations Consultant
RE: LC 2 [*CARES Act tax break disconnect*]

On behalf of OEA's 42,000 members, I respectfully urge passage this year of legislation to disconnect from the March 2020 tax breaks in the CARES Act that will empty \$225 million more from Oregon's General Fund. So far in this pandemic, this state has already lost more than \$3 billion in resources from its various revenue sources. Yet, because of federal action, and in the event of state inaction, that loss will be all the greater.

The \$225 million upfront 2020 revenue loss has been framed as a lifesaver to struggling businesses, but we doubt that to be the case. Some 1,000 tax returns of the wealthiest doing business here are beneficiaries of this set of expanded tax expenditures. It has been estimated that 82% of this small group earn more than \$1 million per year. By contrast, 11% of Oregonians have lost their employment and, as of last week, their federal unemployment insurance boost. While a disconnection has been characterized as "raising taxes" on this group of 1000, we would remind policymakers that the new preferential tax treatment was enacted a mere five months ago, and those 1000 will still reap the federal tax breaks, even with passage of LC 2.

As the adage goes, "if you find yourself in a hole, stop digging." By exacerbating Oregon's cratered economy with more revenue losses, it will be harder to recover. That's because the revenues you appropriate aren't just acts of humanitarian principle, they are economic stimulus tools. When you invest in Oregon's public schools, for instance, you create nine jobs in the private sector for every 10 jobs supported in public education*. \$225 million – the revenue at issue just this year – translates to 2400 teaching positions and 2160 jobs on Main Street. Why? Because Oregon's school districts are the top employer in about half of our state's communities, and in the top three in virtually every town.

We have heard that the next biennial budget will be challenged to an even greater degree than this biennium's. Oregon's people will undoubtedly remain on the economic edge as well, making the conservation of these funds even more urgent. Another \$104 million in losses will occur in the 2021-23 biennium without LC 2. Please support the proposal to disconnect from this ill-advised set of tax breaks. Invest in Oregonians who are suffering in this unprecedented time of pandemic and depression, not in hedge fund managers and real estate moguls who will thrive without a state tax cut on top of their new federal loopholes. Our students and their families will thank you for following the lead of other states that have already taken similar action.

Thank you.

*ECONorthwest study, 2002; reaffirmed in 2008 [Available upon request.]