



February 12, 2019
SB 211

Chair Hass, Vice Chair Bentz, members of the committee,

My name is John Calhoun and I am here today representing the Oregon Coalition of Christian Voices. I support the objective of SB 211, but I believe that the limits it is proposing are still too high. We do not believe the legislature should be aiding the wealthy while reducing resources that could be used to help the poor, sick, and vulnerable.

SB 211 reduces the eligibility for the lower pass-through rates from \$5,000,000 to \$415,000 for a joint return and \$207,500 for an individual. Clearly this is an improvement from the current statute from our faith perspective.

The questions I ask, however, are:

- 1. Why shouldn't the cut off for this tax benefit be much lower than \$415,000?**
- 2. Why should business owners earning more than \$415,000 even get discounted rates on their first \$415,000? And,**
- 3. What is it that the reduced rates are set to accomplish?**

In 2017, the latest information that LRO has, 99% of the discounted benefits go to taxpayers with incomes greater than \$100,000 and two thirds go to those with incomes greater than \$500,000. In the 2018 special session additional businesses that are sole proprietors became eligible and so the percent of the benefits going to the top will shrink, but not by much.

In 2017 the mean Oregon household income was \$60,212. However, the top 1% of household income for Oregon was \$358,937 according to the Economic Policy Institute. This means that **the limit in SB 211 will still exceed the income level of the top 1% in Oregon. It is also close to 7 times the mean Oregon income.**

So, I ask you, why are you continuing to provide pass-through business owners who are amongst the wealthiest Oregonians, lower tax rates than the janitors on minimum wage cleaning their buildings? This is immoral and violates both the tenants of my faith and my American sense of fairness. Take from the poor and give to the rich.

If this lower rate is revised, I suggest that you consider the cut off in terms of multiples of the mean Oregon household income. Should it be twice, three times? Certainly not 7 times.

I also think that whatever limit is chosen that it be a hard cut-off. That is the taxpayer that has income above the limit, should not be eligible for any discount. As SB 211 is currently written, those with million-dollar incomes will continue to get the lower rates on the first \$415,000 of their income. Why does that make any sense?

Most of you know that I spent nearly 50 years in business, including 25 years in small businesses as an owner and financial executive. I can assure you that when I was an active partner in an LLC, I would certainly enjoy paying a lower rate, but it would have had nothing to do with the business. **The few thousand additional dollars that would have come to me wouldn't change how many employees we had or what capital we purchased.** Even though this tax break has been in effect for several years now, there is no study that I am aware of that says it provides any economic benefit to the state.

It is time to reform this tax break for the wealthy. If it is to continue, at a minimum limit the benefits to those whose incomes are closer to the hard working, barely surviving entrepreneurs that are used to justify this tax expenditure.