

March 11, 2019

Testimony in Support of HB 2144

Chair Nathanson, Vice-Chair Findley, Vice-Chair Marsh, and members of the committee,

My name is Daniel Hauser, tax policy analyst for the Oregon Center for Public Policy, and I respectfully submit this testimony in support of House Bill 2144.

HB 2144 disconnects Oregon from the flawed Opportunity Zone tax breaks included in the federal tax package rushed through Congress at the end of 2017. These subsidies are designed to cut the taxes of investors — not help struggling communities. The research on tax breaks like these point to wasted public resources subsidizing investments that would happen without the program and that often displace existing residents.

Capital gains income largely flows to the richest Oregonians. In the most recent year we have data, the 2016 tax year, nearly six in ten dollars of capital gains income went to the top 1 percent. Only 8 percent of the capital gains dollars flowed to the lowest-income 80 percent of Oregonians. Oregon should not be cutting the tax rate on capital gains income by connecting to the Opportunity Zone provisions at a time of record inequality.

There are three distinct capital gains tax breaks embedded in this federal policy. One reduces the capital gains on prior investments reinvested in an opportunity zone, another delays taxes on the remaining capital gains, and the final tax break is the exemption of capital gains on the actual Opportunity Fund investment if held for a certain time period.

These tax breaks for the rich have a modest short-term cost but could be incredibly harmful to the Oregon budget in the long-run. Most of the benefit from these capital gains tax breaks won't accrue for five, seven, or even 10 years after the Opportunity Fund investment.

There is no requirement for investments in Opportunity Zones to consider the impact on the low-income residents of these communities. Surges in profit-seeking investment in established communities is likely to lead to expanded displacement of long-term residents and gentrification of the neighborhood.

While we can't change the fact these Opportunity Zones exist throughout the state and federal taxpayers will subsidize these investments for years to come, we can prevent Oregon tax dollars from being siphoned off to these wasteful and potentially harmful uses. Vote yes on HB 2144 to disconnect Oregon from this ill-considered federal policy.