



**Coalition
for the
Common
Good**

**Testimony to the Joint Committee On Student Success
April 18, 2019
Paul Warner, Ph.D.**

Co-Chair Roblan, Co-Chair Smith-Warner, members of the Joint Committee on Student Success

The Coalition for the Common Good asked for my observations on the revenue policy package under consideration today. They also asked me to share those observations with you.

Here are my thoughts:

- The proposal is very consistent with the work done by the revenue committees over the past three years.
- The commercial activity tax (CAT) broadens the business tax base to include all entity types while imposing a relatively low tax rate. A broad base combined with a low rate allows the state to generate significant revenue while minimizing economic distortions.
- Ohio's CAT, introduced in 2006, demonstrates that the base can be defined in a way that is broad enough to bring in increased revenue from out of state sellers. The Ohio experience also indicates that the required tax forms are relatively simple and administratively efficient.
- The CAT is an indirect form of a consumption tax. However, the OTIM simulations provided by LRO staff indicate that the increase in the price level will be relatively minor at around 1/3 of 1 %.
- The marginal personal income tax rate reductions contained in the package will soften this impact on lower and middle income households. The lower rates will also stimulate labor supply.

- The OTIM simulations demonstrate that the revenue package is largely neutral with respect to employment in the short term and potentially positive in the long-term.
- The combination of a broad-based commercial activity tax and a reduction in marginal personal income tax rates will diversify Oregon's revenue system and reduce cyclical volatility.
- As is the case for any significant revenue raising proposal, the key to the net long-run impact on the state economy is the use of the additional funds that are generated. If the funds are effectively used to improve the overall education system, Oregon's economy will grow more competitive over time.

Thank you for accepting my testimony.

I wish you all the very best.

Sincerely,

Paul Warner, Ph.D.