



HB 2053A: More Work is Needed on this Economic Development Bill

Testimony for House Revenue – Gerritt Rosenthal – 5.7.2019

On behalf of Tax Fairness Oregon, I would like to provide additional testimony regarding our concerns with HB 2053A using the Amazon Troutdale site as an example.

First, we do not understand why Amazon, which is *not* a traded sector business, should qualify the Port of Portland for a Regionally Significant Industrial Site (RSIS) subsidy. Amazon is a retail distributor.

Second, we think you should amend the Regionally Significant Industrial Site (RSIS) portion of this bill, SECTION 15, to exclude the private owner of a site, whether they have entered into an agreement with a local government or not. The state should not be using employees' income taxes to enrich private land developers.

Third, while we support the purported intention to consolidate some of the concepts in Business Oregon's many incentive programs particularly regarding "wages" vs. "compensation," we want to reiterate our concern with HB 2053A on two fronts:

- (1) the continued presence of the phrase "state or county average, whichever is the lesser", would significantly reduce the standard for the Multnomah and Washington Counties and slightly reduce the standard for Clackamas County; and
- (2) the lack of specification as to which portion of the labor force the wage standard should apply must be addressed. To say that only 25 or 50 employees from all employers at a site must meet a wage standard clearly clashes with the intent to have the average of "all" employees of a facility meet the labor wage standard (as stated in the original 2013 bill [SB 246 - Section 2 (2)(b)]).

The Amazon site is of particular note. The average state wage (not including benefits) is \$25.18 for 2018 while the Portland Metro average wage (where the Amazon site is located) is \$28.39 (cf. Employment Division). These numbers show how the phrase "lesser of" disadvantages workers in the Portland Metro area.

According to press reports (Oregonian, August 7, 2018), Amazon intended to hire 1500 people at a wage of \$14.00 per hour. They are now advertising slightly above that. Amazon does promise benefits, but it is hard to contemplate how their benefits would cover the pay gap between \$15 an hour and \$37 or \$42 (the 150% standard that would allow the Port of Portland to collect 50% of the income taxes of Amazon employees defined in HB 2053A).

The original standard for a RSIS tax abatement facility was that the average of all compensation for the facility should be 150% of the county wage, not apply to just the 50 persons in the managerial category at the facility.

We are not of the opinion that Amazon as a retailer can be faulted for establishing a facility that employs, largely, workers averaging only slightly higher than minimum wage. What we are saying is that the standard for RSIS tax breaks MUST apply to all the workers at a facility before we Oregon taxpayers subsidize land development for this or any other business. We consider it extremely unfair to Oregonians to offer a tax reimbursement to the Port for preparing property for a business when the large proportion of jobs they will provide will pay \$15 per hour, or \$30,750/year for full-time employment. This will not provide a "living family wage" to many workers who will then need additional Oregon resources and services to make ends meet. We must be cognizant that this "subsidy" comes at the expense of other Oregon taxpayers who are trying to make a living wage and will lower the average state wage. In addition, the Amazon facility is already in an Enterprise Zone, which means the business will be property tax exempt for 3-5 years.

We have said this numerous times, but it is worth repeating: an average of 45% of local property taxes support schools and community colleges and so every tax break we grant reduces the availability of funds for schools and local services. We have often suggested decoupling the property tax breaks from school funding, and hope this idea gains further traction.

But our bottom line is this:

First and foremost, for all RSIS facilities, stick to the original intent and require that the average of "all" the jobs at a facility [not just the top 50] pay 150% of the average local wage, and second, get rid of the clause "whichever is the lesser." Any employee working in the Portland metro area must compete with locally paid employees for housing, goods and services, and thus needs compensation at local levels, not state-wide levels.

We read the bills and follow the money