



From the desk of:
[Signature]
Alissa Keny-Guyer

The League of Women Voters of Oregon is a 100-year-old grassroots nonpartisan political organization that encourages informed and active participation in government. We envision informed Oregonians participating in a fully accessible, responsive, and transparent government to achieve the common good. LWVOR Legislative Action is based on advocacy positions formed through studies and member consensus. The League never supports or opposes any candidate or political party.

February 25, 2020

Members of the House

FEB 25 2020



RE: **Vote YES on HB 4010 A**

The League of Women Voters of Oregon supports a tax system that is based on the *ability to pay principle* **benefits-received principle where reasonable, and recognizes the role of social expediency.** The Opportunity Zone (OZ) capital gains tax break for investments does not meet these criteria.

Although the League would have preferred to see the disconnect bill as originally written, we support the compromise bill HB 4010 A because Oregon will receive 50% in capital gains revenue when an investment is held for ten years. We appreciate the reporting requirement on these OZ projects to the Department of Consumer and Business Affairs and on the transparency website; and the LRO study and analysis will provide accountability for these state investments. Perhaps there will be future modifications should the state subsidies prove too costly or not benefit the distressed communities for which they were intended.

We appreciate the compromise in HB 4010 A. We initially opposed this bill because it is not an economic investment tool that most Oregonians will benefit from, but rather a means for wealthy individuals to eliminate their capital gains taxes by reinvesting in Qualified Opportunity Zone (QOZ) funds. Our concerns include:

- Fund Managers (rather than the State) decide on specific investment projects.
- An Oregon investor gets the tax break for investing in any opportunity zone outside of the state!
- Some QOZ fund websites project annualized internal rates of return ranging from 7% to 18%. It is unlikely that profit margins will be high enough for the tax incentive to work for investments in rural or truly distressed areas, to actually benefit those populations.
- Qualifying investments are not required to benefit those who live in the arbitrarily determined "zones".
- There are no protections against gentrification that would push out low-income residents.
- There are no requirements to involve minority-owned or small businesses and no prevailing-wage rules.
- It's hard to even track how much potential revenue loss that could amount to!
- OZ investors are not likely to fund workforce, affordable housing projects or rural businesses, transportation or communications projects to lift up the local communities where they will be located.

Using feedback from the study, we should design an Oregon incentive program to target affordable housing and economic development projects in distressed areas. We hope passage of this bill will lead to this more targeted approach.

Please vote YES on HB 4010 A.

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