



Date: April 5, 2021
To: Senate Finance & Revenue, Chair Burdick and Members
From: Laurie Wimmer, OEA Government Relations
RE: *SB 842 [Federal Relief Fund Tax Holiday]*

On behalf of OEA's 41,000 members, I am honored to submit testimony on this bill, about which we have several concerns.

Though at this writing, no revenue impact was published on OLIS, we have been told that this proposal would take an estimated \$300 million out of the system – resources Oregon sorely needs to help meet the critical needs of its people. This possibility is concerning for two reasons: first, the budget framework recently released proposes to fund our education system below the no-cuts level; in the case of K-12, the framework sets a budget \$500 million less than is needed to maintain current services. We've been told that fully funding our schools is not affordable, so how could the legislature simultaneously cut schools more severely than in the last recession while giving a \$300 million tax holiday that reduces revenues even further?

Our second concern is that new tax cuts will, ironically, impact Oregon's receipt of federal funds under ARPA. Though the Treasury rules are not yet published, we understand that states that reduce their net revenue will lose a like amount of federal funds under ARPA. If passed, SB 842 would cause a double loss: of both the state revenue and an equivalent amount of federal funds.

If tax relief for our most vulnerable people is desired, we would support use of the tax code for such proven policy concepts as the expansion of the Earned Income Tax Credit for the working poor (adding ITINs), but not for this. We understand that such a proposal could be pared with tax reform of other policies – such as the pass-through tax break – to ensure overall net revenue neutrality for the combined package.

If this committee does move some version of SB 842, an amendment to make it revenue neutral by cancelling one of the tax breaks afforded the affluent and/or profitable corporations would be the only way to ensure that we do not imperil our federal and state resources.

Thank you for considering our thoughts on this legislation.