



**Date:** June 7, 2021  
**To:** Senate Finance and Revenue Committee, Chair Burdick and Members  
**From:** Laurie Wimmer, Oregon Education Association Government Relations  
**RE:** *SB 139 as amended [Pass-through Entity Preferential Tax Reform]*

On behalf of OEA's 41,000 members, I am testifying in support of the work of Senators Burdick and Boquist to revisit Oregon's pass-through program to ensure that its scope is right-sized to Oregon's truly small businesses.

We have long followed revenue policy to ensure that the state is able to appropriately support core services for its people while also ensuring a thriving Oregon economy. We believe that the pass-through tax break created in 2013 was too broadly construed in offering preferential tax rates without a strong, legitimate purpose, thereby leaving many millions of dollars on the table that could have been invested in our state's pressing needs for services. It is in that spirit that we offer the following points:

- We support the thoughtful recasting of qualifications for Oregon's smallest business entities, curbing the unwarranted tax break at the high end.
- We hope that the distributional limit of 25% of profit per year to owners is closely watched, so that portions of the 75% reinvested do not get out the back door to owners in the form of other types of profiteering via business expenses for such things as meals, special benefits, and the like. Alternatively, a definition of "reinvestment" in the bill may be warranted, especially as it relates to Dept. of Revenue rulemaking that would inevitably follow the passage of this law.
- We also look forward to ongoing monitoring of this program, should it become law, to see not only how it works to narrow its benefit to the lower end, but also to observe what other kinds of entity response may occur, such as filing-type changes and the like. We hope that the Legislative Revenue Office will be asked to conduct regular review and reporting to ensure that the changes made are working as intended.
- We are hopeful that the recovered revenue incidental to this reform will revert to the General Fund for core government functions, rather than deployed to offset new tax breaks, especially in light of the new Treasury guidance concerning the federal ARPA program.

We look forward to partnering with you to ensure passage of this reform effort as it races to the finish line in the final days of this legislative session.