



Tax Fairness Oregon supports passage of SB 139 A

Testimony for House Committee on Revenue – John Calhoun –
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Good afternoon chair Nathanson, Vice chair Pham, Vice Chair Reschke, and members of the Committee. My name is John Calhoun and I am here today representing Tax Fairness Oregon, a network of volunteers who support a rational and equitable tax code. We urge this committee to support SB 139 A.

Let us be clear. Tax Fairness Oregon has always opposed a preferential tax treatment for business owners. We testified to that position earlier this year, as we have for several sessions in the past. Almost all of the benefits go to higher income individuals so it worsens an already unfair distribution of wealth and income. It is another version of trickle-down economics.

Based upon my experience as a business investor, managing partner, and CFO of multiple businesses, I can say with confidence that the lower tax rates for business owners in our existing law provide no economic benefits to the state and are simply a transfer of wealth to the already privileged. Saving 1-2% of profits does not provide enough incentive to change any behavior other than applying for the lower rates.

In spite of these objections, we support the bipartisan proposals before you today. They eliminate the most egregious aspects of this policy and the employment and investment criteria are intelligently crafted. They require either more employment as profits increase or investments to get the benefit. The point of these changes is to encourage the original claimed intent of the pass-through rates – business and employment growth in Oregon.

The business lobby says that this reform bill will damage small businesses already hurting from the COVID recession and there is no reason to reduce tax expenditures in this budget cycle. First, what most people consider small businesses will actually pay the same or lower taxes. Second, this is an income tax. Businesses that lost money due to the recession won't pay any tax.

Third, the lobby will never say that there is an appropriate time to minimize any tax expenditure. I would remind them what Senator Boquist, one of the authors of this bill, said in response to the charge that we don't need the revenue, "Yeah but we don't need to waste revenue, either."

We do want to point out that if this bill becomes law, tax accountants will do their best to work around the limitations. Wealthier companies may create multiple corporate entities to ensure that they fit within the limits. We hope LRO studies how businesses respond and if businesses are successful at gaming the system. If so, future legislatures should address those actions.

We read the bills and follow the money