



HOUSE OF REPRESENTATIVES
Testimony in Support of SB 137-1

February 22, 2021

Madame Chair Burdick, Vice Chair Boquist, and members of the committee,

For the record, my name is Khanh Pham, and I am the Representative for House District 46. I am honored to testify today in support of SB 137 with -1 amendment, a bill to disconnect Oregon from Federal CARES Act tax breaks.

Oregon's revenue system is a reflection of our values, a way for us to choose as a state, what we want to encourage or discourage, and what our priorities are as a state. However, right now, whenever Congress creates new tax breaks for the rich and corporations, Oregon automatically copies the same wasteful subsidies because Oregon automatically connects to federal tax law. These tax breaks for the rich and corporations drain resources from Oregon schools and essential services. The only way to stop these new tax breaks is for the Oregon legislature to vote to "disconnect" from them.

I hope that we can move this bill forward before Oregon experiences a critical drop in revenues as a result of these tax breaks.

SB 137 with -1 amendment would disconnect Oregon from some of the worst-designed provisions of the federal CARES Act. Oregon has a choice to stop the state from duplicating these 3 costly tax breaks; business loss limitation, net operating loss expansion, and business interest deductions, which will pull about \$83 million dollars out of our general fund, according to LRO figures in December, estimates which they will be updating soon with their upcoming Revenue Forecast.

The most egregious of these policies repeals the limit on how much certain pass-through businesses can offset business losses against non-business income. This particular provision only benefits a tiny sliver of Oregon tax payers, the vast majority of whom make **more than \$1 million** per year. These millionaires will collect **nine out of every 10 dollars of the tax break**. Too much of the CARES Act will go to businesses who are doing just fine or even better under COVID conditions. Even with this proposed bill fix, these millionaires will still receive these benefits on their *federal* taxes.

This is also a racial justice issue. Communities of color who have suffered disproportionately in this recession. These tax breaks fail the test of helping those who need it most, and they perpetuate inequality. We have an opportunity to do better.

Disconnecting can result in greater investment in our local COVID response and recovery, in housing, education, and mental health, wildfire recovery, and long-standing needs to address racial inequalities in our communities.

The Oregon legislature never vetted these tax breaks that mainly benefit the well off, but now we have that opportunity today. I urge this committee to consider the merits of SB 137 with -1 amendments and support Oregon disconnecting from these portions of the CARES Act. Thank you!