



Date: February 25, 2021
To: Senate Finance and Revenue Committee, Chair Burdick and Members
From: Laurie Wimmer, OEA Government Relations
RE: *SB 139 [Pass-through Reform]*

On behalf of OEA's 41,000 members, it is my honor to testify today in favor of SB 139, which would improve a preferential tax rate enacted in 2013 that has landed on a different set of entities than was originally intended.

We have long held that the Oregon pass-through rate is poor and unfair public policy, as currently enshrined. Though our association believes that ending Oregon's gift of lowered tax rates to some would be the ultimate goal, we see SB 139 as a step in the right direction.

The pass-through tax break, sometimes called the "suits and scrubs" advantage, seems out of place in a state always striving to fully fund its education sector, provide for our most vulnerable, and serve the emergency needs of our people.

Indeed, when seen from the perspective of many thousands of out-of-work Oregonians who will still have to pay the full rate of 9.9% on their unemployment income, a 7% rate on even those reaping \$250,000 in annual income seems unnecessary and unfair. Still, because many small businesses have struggled in this pandemic to keep their doors open, SB 139 targets this tax advantage to this group, capping eligibility at \$415,000, rather than at the current \$5 million level. We support that more targeted relief.

We also appreciate the intent in the Dash 2 amendments to ensure that the law prioritizes small businesses with employees who work full-time (at least 30 hours per week) for 1200 hours per year. We appreciate the acknowledgement that good employers, who do not exploit the gig economy, are given this playing field-leveling consideration.

We look forward to learning how much revenue would be recovered under this revision to the law. We are hopeful that the recovered revenue is rightly reserved for more worthy causes, such as direct-service budgets or perhaps, to revenue-neutralize a bill amending the Working Families Tax Credit to include families who have a member with a tax identification number (ITIN), rather than a social security number.

We hope to see this legislation make it through the legislative process.

Thank you so much for your consideration of our thoughts.