



Joint Committee on Tax Expenditures

June 2, 2023

Testimony in Support with Amendment of HB 2009

Co-Chairs Meek and Nathanson, Vice-Chairs, and Members of the Committee,

My name is Daniel Hauser (he/him), Deputy Director for the Oregon Center for Public Policy and I respectfully submit this testimony in support with amendments of HB 2009 on behalf of the Center.

The Oregon Center for Public Policy is a nonpartisan think tank dedicated to improving the economic outcomes for all Oregonians, particularly low-income families and Oregonians of color, through research and analysis.

This package of business tax incentives and reforms is an imperfect, but reasonable, compromise and we applaud the diligent work of the Co-Chairs to get to this point. We are not experts in the technical changes to the SIP and EZ programs, but we understand that these reforms will preserve revenue for investment in Oregon's schools, and that is something we heartily support.

Yet, we are most excited about the changes to the Opportunity Zone program. A full, and complete, disconnect from the flawed federal Opportunity Zones is the right path for Oregon to take. We do not need to continue giving millions of dollars in tax breaks to the wealthiest investors — not at a time of record-breaking wealth inequality and shockingly high rates of poverty, housing insecurity, and more. At the time of drafting this testimony we do not yet know how far the eventual amendment to HB 2009 will go in scaling back Oregon's connection to the flawed Opportunity Zone program. Limiting it for out-of-state investments or one portion of the tax break package is progress, but a full disconnect is better.

However, the inclusion of a Research and Development (R&D) tax credit mars an otherwise positive package. The research is mixed on the impacts of R&D tax credits more broadly – but here in Oregon there is no evidence that our prior credit led to a meaningful increase in research investments.

Our mission is to achieve economic justice for all Oregonians through research, analysis, and advocacy.

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If the legislature chooses to proceed in creating an R&D tax credit, as seen in HB 2009, it should eliminate businesses with more than 500 employees entirely from the credit, keeping it targeted at small and start-up businesses where it can do the most good. HB 2009 was right to keep it focused on semiconductor businesses and not open the floodgates for all industries to take advantage of this tax break. Finally, the blank on page 3 line 33 should be revised to include a reasonable cap, such as less than \$20 million per tax year (not biennium).

On net, this package can create positive outcomes for Oregonians. More resources will be available to invest in our schools and other important needs. The business tax incentives Oregon has in place will be more thoughtfully designed and targeted. We would rather the R&D tax credit be omitted from the bill, but as long as the cap on biennial cost is reasonable and the credit is targeted at small businesses, it's an adequate compromise.

Please support HB 2009 with the recommended amendments.

